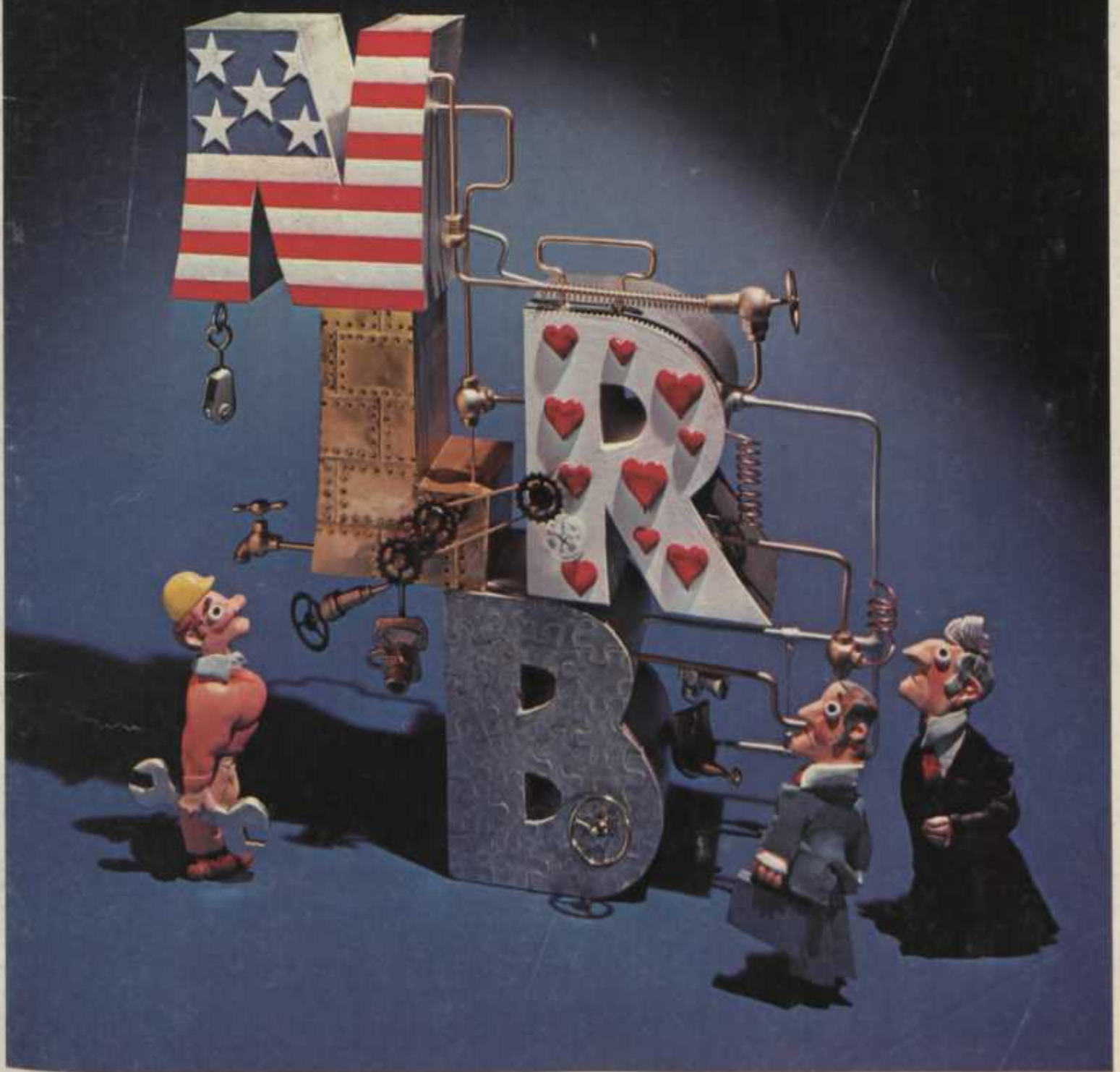
A USEFUL LOOK AHEAD FROM WASHINGTON

FEBRUARY 1972

Nation's Business

OUR RUBE GOLDBERG LABOR BOARD

BY N.L.R.B. CHAIRMAN EDWARD B. MILLER





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Nation's Business

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Cover: Sculpture by Charles Mendez (Photo: Jon Francis)

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PUBLISHED IN WASHINGTON, D.C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

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Insurance companies should do a lot more about accidents than just pay claims.



The buyer of workmen's compensation insurance knows that the one thing that can have the greatest effect on premium cost is a fluctuation in his experience rate. He should also know that safety engineering is the best way to control accident frequency and severity—and that's the best way to earn an experience rating credit.

Insurance carriers should help carry the ball

Aware management should stay on top of the situation with an effective loss control program. But so should the insurance company.

Even though a plant has its own safety department, the insurance company should assist with an experienced staff that can supply broadly-based knowledge and advice.

If your people were getting all the safety information they should, they'd probably have the following facts at their fingertips.

The accident-prone employee

Maybe he has a desire to destroy himself. Or he drinks too much. Or he's unhappy with his wife.

But when he works for you his problem, whatever it is, is your problem. How do you find out who he is? Simple. Keep close tabs on accident reports and personnel attendance cards. If there's a suspicious frequency or high absentee rate, check it out. Fast. Before he has a *bad* accident.

And what can you do about it? That depends. At the very least switch him to a type of work where he'll do less damage to himself. And to you.

Strobe-light mesmerizing

It really happens. The light flashing through the spokes of a spinning flywheel, or reflecting from the surfaces of a turning machine part, can actually hypnotize a person. And in an accident report, the injured man may be unable to explain how or why the accident occurred. Or he may say that he "felt dizzy" or "lost" his memory.

Check for strobe-light effects. Before the accident happens.

The costly back sprain

This can be one of the hardest ailments to diagnose or cure. Or even to definitely class as an accident. But treatment, often accompanied by absenteeism, can go on for years. And can continue to affect your experience rate.

There are things you can do. Don't make a man sit too long or stand too long. Buy the kind of industrial chairs that are completely adjustable, designed to give support without fatigue. They're available and they're relatively inexpensive.

Most people don't know how to lift. Teach them. Show them how to use their leg muscles, not their stomach and back muscles.

The ignored rules

Intelligent management usually has a set of work rules that include safety precautions. But management often has a tendency to isolate itself from direct involvement in day-to-day plant functions.

So you may not really know who is and who isn't obeying your work rules. If you find that you don't, you may have found a frequent cause of accidents.

Color

The scientific, industrial engineering use of colors is sometimes a neglected area of an otherwise effective loss control program. For instance, moving machine parts and the boundaries of dangerous areas should be colored bright red or yellow. Colors can be harsh or soothing, and should be chosen for the effects desired. But monotony can be dangerous. So the selection and distribution of colors should be left to the specialist, not to the painter.

Shields

Safety guards on most equipment are usually prescribed by law. But what about valves and fittings on lines that carry chemicals, steam, hot water or high pressure? What happens if they corrode? Or if pressure goes up?

Such valves and fittings must be accessible for control and repair. But they can be separated from work areas with simple shields. Too often, they're not.

Cleaners and solvents

Some states allow the use of carbon tetrachloride as a cleaner or degreaser, some do not. But it's lethal. A couple of good whiffs can affect a man's liver. Sodium hydroxide is sometimes used to clean, and is commonly used to anodize or etch, aluminum. But its fumes can cause serious lung injury. And any skin contact can cause long-lasting burns. Extreme precaution must be taken in designing exhaust, drip and handling systems.

Many people react to specific chemicals. And it may be difficult to discover who is sensitive to what. But it may be cheaper to find out before an injury takes place.

Each industry, each individual plant, has its own problems and danger areas. And some of the above may not even relate to your circumstances. The reason for mentioning them at all is to serve as a reminder that such dangers do exist. And that your plant supervisory people may not be aware of them. The chances are, if your insurance company were contributing proper loss control service, they *would* be aware.

If you're not getting it, find a carrier with a long and continuous record of active, experienced loss control service. It can pay off. Handsomely. Where will you find such a company? If you've read this far, you're on the right track.



The Continental Insurance Companies

Continental Insurance • Fireman's of Newark • Fidelity & Casualty • Commercial • Niagara • Seaboard F. & M. • Buckeye Union • American Title • National-Ben Franklin Cos. • Boston Old Colony • Pacific Insurance • Glens Falls Cos. •
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Marchant Calculators are imported. From Oakland, California.



Almost all electronic calculators with American brand names are made in Japan, by Japanese firms.

For example, every Dictaphone, NCR and Burroughs calculator is a Japanese import. Monroe, Remington and Friden import many of their models from Japan.

Marchant, however, is doing all its calculator manufacturing in the U.S.A., right in Oakland, California.

And a Marchant is sold to you and serviced by the same people who made the machine.

Marchant has a network of service offices from coast to coast. Each is staffed by factory-trained men who know our calculators. And any replacement parts you may need are available here, in the U.S.A.

Do you want your next calculator to have American service and reliability, backed by 60 years of experience? Then look us up in the Yellow Pages.

Marchant's our name. And the name behind our name.

We make it. We sell it. We service it.

SCM MARCHANT
BUSINESS EQUIPMENT DIVISION

Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

If you have ever had dealings with the National Labor Relations Board you probably don't think there's anything funny about it. And that's true.

Nevertheless, the Board is set up in such a crazy way that it's ludicrous.

That's been obvious to businessmen for a long time. But it may come as a surprise to some people that the present chairman of the NLRB feels the same way.

We asked Chairman Miller recently to write an article analyzing his agency. He turned out the delightful piece you'll find starting on page 30. He describes the NLRB as a funny looking, awkward Rube Goldberg machine.

The concept seemed so amusing we wanted it on our cover. Unfortunately, Mr. Goldberg died more than a year ago so we couldn't have him do it. We turned to Charles Mendez (see photo), a gifted Washington artist and sculptor who built the little machine you see pictured on the cover.

It's no accident that the characters representing business and a Board member seem less happy than the labor figure. Most people (Mr. Miller excepted) who are familiar with the Board would argue that it leans heavily toward labor. That's the reason for the little hearts on one of the letters. There's kind of a "sweetheart" arrangement.

The chairman does point out that somehow the machine manages to work, but he—like practically everyone else—urges that it be reformed to work better.

PHOTO: DENNIS BRACK—BLACK STAR



• • •

The leader in the movement for NLRB reform is the Chamber of Commerce of the United States. Like Mr. Miller, we feel that this will eventually be achieved. As he says, if we don't want to let the Board "fall apart like the one-hoss shay, it's high time for a thoroughgoing overhaul."

• • •

Another federal labor agency is also busily minding businessmen's business.

This one is the new Occupational Safety and Health Administration. Its job is to enforce the tough job safety law which took effect last year.

Since the law affects over four million employers we think you'll be interested in what happens when one of the agency's inspectors comes knocking on your door.

Our interview with its top man, George Guenther, starts on page 26. He reveals, among other things, that the law prohibits advance notice that your business is going to be inspected. But if one of your employees complains, you could have such a visit.

Some aspects of the new law, of course, were generally opposed by business, but it was strongly supported by organized labor.

• • •

A proposed new law to which labor is giving all-out backing would be disastrous to American companies operating overseas.

This bill, by Sen. Hartke and Rep. Burke, is sure to become one of the hottest issues in this Congress.

The entire business community has a stake in it, whether you operate abroad or not.

I'm sure you'll be shocked by some of its drastic provisions which are reported in the article beginning on page 34.

Even Rube Goldberg would have been amazed.

Jack Woodridge

The other telephone

The Other Telephone is Executone Intercom. No businessman should be without it.

Because The Other Telephone is the better way to communicate with people *inside* your company. You continue to use your regular telephone, but for *outside* calls only.

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Letters

Reforming the Labor Board

• I should like to make clear that while I believe a reform of our labor judiciary is necessary, I do so for reasons quite different from those the able Texas Senator, John G. Tower, expressed in his article, "Labor Law Reform: Essential to Fight Inflation" [December].

I do not subscribe to his view that the NLRB either is or has been "an arm of organized labor," and I think his descriptions of a number of the holdings of the Board are more partisan than accurate.

There is no need to burden your readers with the several other points on which I differ with the Senator. I think it is also commonly known that I have publicly expressed my disagreement with his particular proposed solution of transferring all of the NLRB's unfair labor practice jurisdiction to the District Courts.

Thus, to the extent that both his article and mine [page 30, this issue] call to your readers' attention a need for restructuring our labor judiciary, they express parallel thoughts. But I thought it only fair to both Sen. Tower and to me, also, to call attention to our areas of disagreement, lest it be thought that the two articles were intended as companion pieces.

EDWARD B. MILLER
Chairman
National Labor Relations Board
Washington, D.C.

• In his article, Sen. John Tower states that the leaders of organized labor are really acting against the long-range interests of their constituency. It would seem that businessmen also follow this practice.

If we are to preserve a healthy free enterprise system, the man on the street must be better informed. It is obvious that labor leaders are not going to do this. It is a fact that schools do not.

Opinion Research Corp. shows that American people think manufacturing companies made 28 per cent on sales after taxes in 1970; yet only 26 per cent think profits are too high.

Reality? Only 4 per cent on sales after taxes.

Another example is the picketing of supermarkets because of high food prices. How many actually knew the profit margin (typically 1 per cent) that supermarkets operate on?

The average man finds it impossible to view millions of dollars in correct perspective. Thus a corporation with sales of $1 billion may make a profit of only 3 per cent but that profit is still $30 million.

To the man on the street it could just as well be infinite; there is no difference.

When will businessmen understand that they, and they alone, must combat this startling lack of information?

No other group will.

Businessmen must.

E. W. SEYMOUR
Vice President
ITHACO, Inc.
Ithaca, N.Y.

What causes inflation?

• Re your November editorial ["Stop the Presses"]. Stick to your guns. Inflation is caused by deficit spending by the government.

Wage-price spirals and the like do not cause inflation, they are the result of inflation.

Labor law reform will not fight inflation; it will only stop labor from getting more than its share of "cheap" dollars.

The real necessity for labor reform is to reduce the monopoly power of labor. The best solution is either to eliminate the tax-exempt status of labor unions or refuse them the privilege of making political contributions.

Once their political clout is reduced to that of other mortals, most abuses by labor will be eliminated.

A. BRUCE DURKEE
President
Durkee-Mower, Inc.
Lynn, Mass.

You may be buying four times as much hydraulic oil as you need. Better look into it.

Theoretically, hydraulic equipment should operate for a year or more on a single oil fill But the sad fact is that you're probably buying at least *four times* as much oil as your total sump capacity. For every gallon you *use*, you *waste* three.

Which is why we created the Mobil Hydraulic Program—designed to slash your total hydraulic costs.

This is just one of the many services Mobil offers to help customers save money. We have a Rust Prevention Program, for example, to help you cut down on rejects.

There's MI/DAC—which has helped industrial customers save over $100,000 by computerizing maintenance. And there are similar programs to help mines, contractors, and fleets lengthen engine life, stretch oil-change intervals—and raise profits.

Usually, we end up selling less oil. But we're not worried. Selling less oil to more people has helped make us industry's biggest lube supplier. Better look into it. Mobil Oil Corporation, 150 E. 42nd St., New York, N.Y. 10017.

Mobil®

We sell more by selling less.





Linwood Holton, Governor, Commonwealth of Virginia

Let's break ground together.

"If you think the Governor of Virginia enjoys walking around with a shovel, I do.

And lately I've been using one more and more often.

During the past 18 months, 227 facilities with new employment needs of 21,130 were announced.

There's good reason for this.

Virginia has a balanced system for intelligent growth.

And industry is part of that system.

Our stable and business-oriented state and local governments work for your management.

Our educational system works to help train your personnel.

Our tax collection and distribution system works to help keep your taxes equitable.

And our transportation system helps distribute your products.

And, of course, Virginia's Division of Industrial Development lays the groundwork for your company's arrival and follows through with help in your growth.

What else makes Virginia desirable?

Virginians themselves. Their attitude toward their jobs is unique. To them, work is a privilege, not a backache. Proof is a work-stoppage loss that's less than half the national average.

You'll also like our climate.

And Virginia's scenic variety.

These are some of the things that also contribute to Virginia's balanced system for industrial development.

And we hope you'll share it with us."

Let Frank Alspaugh give you all the details. He's the Director of the Division of Industrial Development. Write to him at the Governor's Office, 1044 State Office Building, Richmond, Virginia 23219.

Virginians

Their system is working.

Letters *continued*

Tackling pollution

• Re your editorial, "1984, Senate-Style" [December].

The Senate-passed water pollution control bill is not absurd at all. The Senate is telling us in effect that with predicted population growth the present pollution rates will be untenable by 1984.

If that means New York City will need a settling basin the size of the state of Connecticut, then obviously present sewage disposal systems are not the answer.

The time to begin planning for an entirely new concept of waste disposal for 1984 is not to wait until it is urgently needed, but now, in 1972.

The problem is of such desperate proportions that it needs the effort, ingenuity and funding that put a man on the moon.

WILLIAM E. WILLIAMS
2nd Vice President
Sewer-Williams Co., Inc.
Washington, Ohio

• What do you plan to do when our present methods of operation and expansion exhaust the thin layer of land, water and air in which we exist?

Undoubtedly you believe that you will live a full life, and I sincerely hope you do; however, I do not have such an optimistic outlook for myself.

I am convinced that if we continue to pollute the environment as we are doing now the only certain outcome can be premature death for our children and perhaps ourselves.

In my own business (home building), a new city ordinance prohibiting open burning is certain to increase our operating cost; however, we must all start to bear the cost of preserving this earth.

STEPHEN RIGELSKY
Director of Purchasing
Raymond S. Barry, Inc.
Columbus, Ohio

• I must agree that it is absurd to even think that no pollutants of any kind can be put into any waterways. That is one of the purposes of water—to carry waste materials to a place provided by nature to recycle them. The problem is the kind of pollutants that are being dumped into the waterways.

Man has not tried to cooperate with nature.

He makes products that nature

Over 500 new plants or major expansions in New York State every year.

Have they found what you're looking for?

Avon Products, Inc., world's largest cosmetics and grooming aids manufacturer, has ended two years of exploring the Northeast for a site for a major manufacturing complex. Avon's choice? The State of New York!

Reynolds Metals Co. is completing a $3-million plant here. The Glens Falls Cement Division of Flintkote Co. has announced plans for a $13-million expansion of its portland cement facility here. Choosing this site over 11 other cities in the Northeast, Ralston Purina is constructing a multi-million dollar plant here for the production of pet food. And the world's largest smoking-pipe manufacturer, S. M. Frank & Co., has broken ground for a 200,000 square foot plant on Long Island.

Why New York State? Wayne Hicklin, board chairman of Avon, puts it this way: "We are growing and prospering in New York. We like the business climate and the incentives for growth We like the skilled work force. We like the transportation services. Our employees like the amenities and quality of living here."

What these companies—and 8,000 others—have found in New York in the past dozen years, may be what you're looking for—a profitable combination of economic and operational advantages unique among industrial states:

TAX "BREAKS": Corporate franchise tax based on profits, not on gross income or capital invested. A tax credit of 1% on your investment in new or expanded production or research facilities, including the cost of equipment, ranging up to a 100% break on your corporate franchise tax!

And this is just a small sampling of the many tax incentives and other advantages of doing business in New York State. *For all the details, attach the coupon to your letterhead and mail.*

Commissioner Neal L. Moylan
New York State
Department of Commerce
Dept. MNBD, 112 State St.
Albany, New York 12207

Please furnish me more detailed information on industrial-location advantages in New York State.

NAME _____

TITLE _____

FIRM _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

New York State.

Indiana... similar to but unlike Iowa, Illinois, or a corned beef on white bread.



A lot of people lump Indiana, Iowa and Illinois all together in one breath. Well, we're out to fight that. And also prove to folks that if you like corned beef, even ham on rye, you can get it anywhere in Indiana. We're more than just Abe Lincoln, log cabins, and beautiful foliage in the fall.

Indiana . . . turn left at the redwoods and follow the skyscrapers.

Hard to believe, but in Indiana you'll find the beaches, the parks, the fun, and the sunshine just like in California. And we even have the theatre, the opera, the symphony, and the art museums you'll find in New York.

We didn't tell you the worst part.

Other states will tell you Indiana doesn't have everything. We couldn't be happier. We get along nicely without ninety-minute trips on commuter trains crammed with up-tight business execs. And we also manage nicely without a dark cloud of pollution hanging over our cities.

Moving to Indiana won't shatter your financial stability.

So, you'd like to be with the sophistication of city life and the quiet country casualness, too. But you don't want to make your stockholders nervous, either. You don't have to. Indiana is commercially alive and kicking. The industry we have here not only stays here, it expands here. Our lifestyle makes our people happy and productive. So your product gets built better, finished quicker, and on to market economically.

Now do you know the difference?

A little ad like this really can't tell the whole story, but we hope we've attracted your attention at least. Give us a chance and we'll show you a whole host of places to plant yourself anywhere in Indiana. Write today.

Indiana Department of Commerce
Lt. Gov. Richard E. Folz, Director
Room 3335, State House
Indianapolis, Indiana 46204

Indiana
...a lot more than you expected

Letters *continued*

can't process in a normal natural way. Nature has to do too many things to our waste materials before she can recycle them naturally.

If man would just produce products that were conforming to the laws of nature, we wouldn't be plagued with water pollution, or for that matter, any other kind of pollution.

LLOYD BRUMAGE
Barstow, Calif.

• I am afraid that great errors of fact have played a most unfortunate role in determining the basis for your editorial on water pollution legislation.

While certain points in both the Senate and House 1971 proposals are subject to serious question, misconceptions about land treatment should not be allowed to confuse the issue.

GUY VANDER JAGT
Member of Congress (R.-Mich.
Washington, D.C.

De-icing without salt

• In your December issue, "Business: A Look Ahead" cites the $68 million expenditure in 1970 for salt used in de-icing roads, airports and other facilities.

This cost, plus the cost of equipment and personnel, could be eliminated and ecologists could be satisfied as well—if public officials and developers implemented proven technology for snow-melting systems.

Underground piping with high-temperature fluids economically keeps shopping centers and parking lots free of snow and ice.

WILLIAM M. TELLER
Vice President
American Hydrotherm Corp.
New York, N.Y.

Says his school is oldest

• In your article, "The Little Known Creators of the Computer" [December], the statement was made that "Penn Charter is the oldest boys' school in the United States. It was founded by William Penn in 1689."

You should know, sir, that Collegiate School, for boys, 241 West 77th Street, New York City, is the oldest independent school in the United States. It was founded in 1638, or 51 years earlier than the start of Penn Charter.

DAVID M. SULTAN
Collegiate School
Grade 3
New York, N.Y.

A good man won't wait

• Gen. George Olmsted's article, "The Executive Gap" [December], was interesting as far as top management goes. However, I wonder what his costs are in replacing the executives who can replace the top executives.

He states that he has one backup man who can "and someday will" assume a department. That *someday* attitude may make his training more expensive than recruiting. A top management person will not wait for some day; even community involvement and "in" information will only hold someone for so long.

If you give a person the skills, you should also give him the responsibility and authority equal to his skills.

By overdeveloping a leadership program, you are training your competitors' future employees; and manpower lists in a computer are just that—lists of unutilized resources.

PAUL FISHER
State College, Pa.

For zero population growth

• Being greatly concerned with the population problem and how it affects the quality of life, I read with great interest the article "Bye-Bye, Baby Boom" [December], telling of the effects that zero population growth may have on business.

I'm sure any rational individual will agree that ZPG, whether it comes quickly or slowly, whether it brings prosperity or temporary recession, is both inevitable and much to be desired. My heartfelt sympathies go out to the manufacturers of baby food and diapers, but their economic despairs can hardly compare to the immense problems that would be brought about by runaway population growth.

The welfare of America's diaper manufacturers is little consolation to the commuter stuck in freeway congestion, or to the housewife fighting her way down supermarket aisles.

MICHAEL D. FLYTE
Medford, Ore.

Indigent older Americans

• I read with interest the article "The Over-65 Set—A Bonanza for Business?" [November]. It seemed strange, however, no mention was made of the seven million indigent, older Americans—including two million borderline paupers who must exist on low minimum Social Security.

The United States spends twice as much to keep institutionalized criminals as Social Security pays to honest, older citizens.

JOHN R. TRIMMER
Tampa, Fla.

Executive swaps

• The article that you did on the Presidential Interchange Program, "From Businessman to Civil Servant —and Vice Versa" [January], is superb. It is not only interesting reading, but highly favorable to this important program. We will be using it in our promotion efforts.

JOSEPH T. McCULLEN JR.
Executive Director
President's Commission on Personnel Interchange
Washington, D.C.

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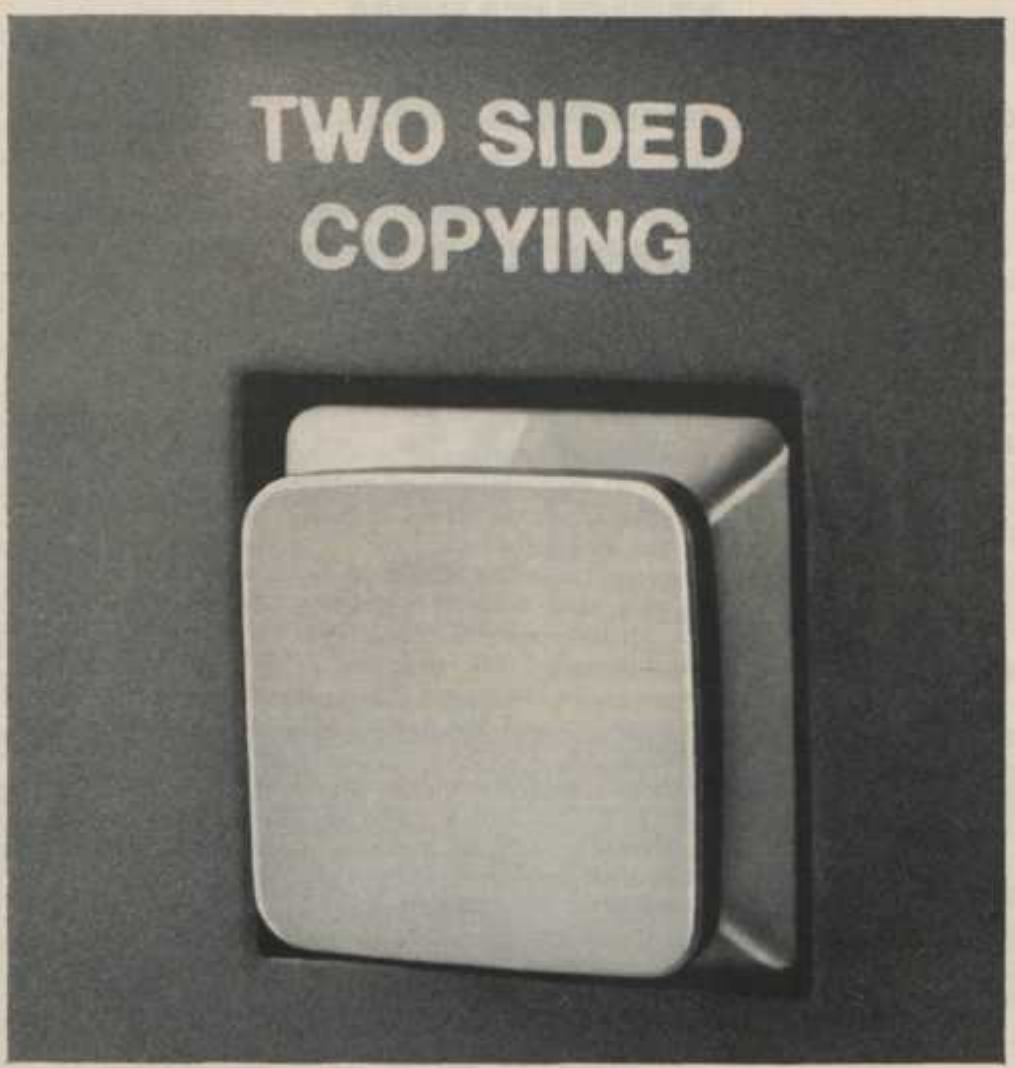
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The Xerox 4000 Copier is the first of a new generation. Some day all copiers may have its revolutionary features. Like the little button in the picture.

Why wait?

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=MISSISSIPPI
PROGRESS REPORT=

INDUSTRY IS ON THE MOVE in Mississippi as evidenced by more than $7 million in new industries and expansions recently announced.

GEORGIA-PACIFIC will establish a $2.5 million lumber operation at Bay Springs which will employ up to 100 people, and expansions announced for Georgia-Pacific plants in Louisville total $2.5 million in the company's particle board and formaldehyde plants.

BILL'S INSTITUTIONAL COMMISSARY which deals in food products, portion control meat and other food items will increase its payroll by 300 people in a $2 million expansion.

NATIONAL INDUSTRIES, INC., which provides wiring assemblies to all of the major car and truck manufacturers will add 100 employees in a major expansion.

SETTING A TREND is nothing new for National Industries, including its new 36-hour four-day work week which was a first for the state.

NEW INDUSTRY continues to locate in the state as existing industry expands. One hundred Mississippians will be employed in the manufacture of foam materials by PHILLIPS-FOSCUE of Tupelo, and 50 employees will be hired at the VALMAC INDUSTRIES, INC., cold food storage plant in Greenville.

FOR MORE INFORMATION for your consideration in locating or expanding your industrial operations in Mississippi, call or write Mississippi Agricultural and Industrial Board, P. O. Box 849, Jackson, Mississippi 39205.

Executive Trends

BY JOHN COSTELLO
Associate Editor

• The bigger the better • How to spot shoplifters
• What it's all about • Seek and they shall find

What size pond? Bill Smith was lucky—but perplexed.

His M.B.A. degree was just a semester away. And he was being ardently courted by company recruiters.

By too many, in fact.

He couldn't decide which suitor to choose. Basically, it came down to a corporate giant—or a much smaller firm.

"Which is better?" he puzzled. "Being a little frog in a big pond? Or a big frog in a little one?"

Now, that dilemma may be easier to solve. At least, statistics offered by Stanford's Graduate School of Business may shed some light.

The school polled its M.B.A. graduates who have been at work five years. Median salary for those with big companies—1,000 employees or more—was $19,140 a year. For those with small business, the median was $22,800.

"Up to five years, maybe 10, a smaller firm is the M.B.A.'s best bet," one executive consultant says.

"He's paid more, not only in salary, but in total compensation.

"By five years' time, if he's worth his salt, he'll be only one level below the chief executive officer—and reporting to him—while in a big corporation, he'll be 20 levels from the top.

"But after 15 years, pay and opportunity start to level out.

"And for the very long haul, the rewards at the top in big corporations are far richer.

"Of course, by that time many M.B.A.'s who start with smaller firms have left to launch their own firms—or have switched to other companies."

How to tell if they're stealing you blind

Here are some telltale signs of the shoplifter:

- Empty boxes, blister-packs or cartons on the sales floor.
- Empty hangers on racks.
- Worn clothing in fitting rooms or bathrooms.
- Merchandise missing from displays.
- Switched tickets caught by the cashier.
- A rise in the ratio of refunds to a department's sales.

"They're not the only clues," says Saul D. Astor, president, Loss Prevention Institute, Inc., New York City.

"But these are some that, perhaps, are less well known to retailers.

"Most retailers get the message if 'shrinkage' is high in a department—or starts climbing. These are early warning signals to watch for."

Protection against light-fingered customers is a must, he says. Nationwide, he adds, "inventory shrinkage" amounts to about $4 billion yearly. About half of that, he estimates, is due to shoplifters.

"Recent tests in several department stores," he says, "were shockers. They showed that one out of every 15 customers came, not to buy, but to steal."

The name of the game

In business, of course, it's money.

Profit's the yardstick, says Robert E. Sibson, noted management consultant, by which we can measure success.

"In a commercial enterprise," he says, "executives get a break. They know the name of the game. And they have a handy way of keeping score—financial statements.

"But the man who runs a service organization isn't that lucky. Often, its goal is fuzzy. So he doesn't know the name of his game. He has no way to keep score, either."

That's a bad fix for us to be in, Mr. Sibson asserts.

In the past, he says, good industrial management has been the single biggest contributor to the nation's economic well-being. But now, this coun-

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Executive Trends *continued*

try is moving from an industrial to a service economy.

If we're to continue to prosper, Mr. Sibson argues, service organization management needs to know if it's working efficiently.

What is success for a service organization? For example, a hospital. And how can it tell if it's succeeding or failing?

Here's what Mr. Sibson suggests in his new book, "Managing Professional Service Enterprises":

First, identify your goal or goals. One, he says, should be financial—making money, or at least not losing it.

Second, get a yardstick to measure your progress.

"This isn't as easy as drawing up a profit and loss statement," he says, "but it's not impossible.

"For example, for schools and universities, the primary goal is educational excellence. It's not impossible to measure that."

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- A company desperate for 15 tons of TNT, and another in urgent need of 100,000 low-pressure tennis balls.
- A novelty firm seeking a manufacturer to put a thin plastic covering on horse chestnuts.
- A New York firm looking for an electronic rodent repellent. It wanted to put a sonic device in grain bins to scare away mice.

Pro-File, Inc., has descriptions of thousands of products stored in its electronic data bank. More than 100 companies pay from $1,200 to $2,500 per product line or service to list them with the Minneapolis firm.

"Engineers spend as much as 20 per cent of their workday looking for products to meet specifications," says President Greg Turner.

"I know. I was one.

"Even then, they're successful only about 65 per cent of the time."

Now a toll-free call (800-558-8770) to Pro-File might help. Within 48 hours, Pro-File will mail a computer print-out listing firms that provide a product or service which meets the caller's specifications.

How well is Harry doing?

A tough question.

"And it's one that's asked at every company level," says Robert Pursell, director, Coloney, Cannon, Main & Pursell, Inc., management consultants.

"It's asked about the executive vice president—and the newest salesman."

Some executives, Mr. Pursell says, doubt if it can be answered accurately.

"That's due to growing disenchantment with the performance rating," he reports. "Some feel it's too subjective."

But you can tell how Harry's doing, Mr. Pursell argues, especially if you distinguish between objective measurement—and subjective evaluation. He gives this example:

Last year, Harry sold 80,000 hardware items. He also landed 45 new accounts, and lost 20 old ones. He gave away 1,100 samples and spent $30 per sales call.

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Executive Trends

continued

bad? With respect to what? Other salesmen? His quota? Or his record the year before?

"There's nothing subjective about the facts," Mr. Pursell says. "But when we place a value on them, then we get into subjective judgments.

"And there's nothing wrong with them. We don't want to avoid 'em—or evade 'em.

"What we need to do is improve them."

Here's the best way, he says.

"Both employee and employer should set, in advance, goals that can be measured.

"Then everyone can agree what value the numbers—sales made, widgets manufactured—really have."

The president's best friend

It's a good board of directors.

That's what J. Keith Louden says. And he's president of The Corporate Directors, Inc., which specializes in such matters.

"The real pro running a business knows that his best friend—his job insurance—is a good, strong board," Mr. Louden says. "From it, he can get help that money just can't buy."

What should its role be? Not to run the company, Mr. Louden says, but to give advice and counsel.

There's lots of talent available for the job, he finds.

"As they near retirement, more and more executives volunteer," he says. "They just don't want to go home and cut the grass when they hit 65.

"Some younger chief executives, who want to spread their wings a bit, welcome the job, too."

The main mission of The Corporate Directors, Inc., is to educate companies on a board's true role. But it will also supply directors to a client on request.

Who makes a good director?

"A generalist with broad management experience," Mr. Louden says. "He must have courage, intellectual curiosity—and be mature, not opinionated.

"You can't get that kind of man—except for a board whose role is known, recognized and has its authority defined."

SBA Report

New Way to Save Jobs —and Create Them

Whenever community planners gather to talk about long-range objectives, the key issue is likely to be how to create jobs.

That is what the U.S. Small Business Administration's Local Development Company Program is all about—creating jobs by expanding existing small businesses in a community or by attracting new industries.

A total of 119,000 new jobs have been created and an additional 54,000 more saved or maintained through the 3,500 facilities financed in this program. These jobs are providing an estimated $1 billion in spendable income in over 3,000 communities.

Corporations formed primarily for the purpose of helping small businesses are eligible for up to $350,000 from the SBA for each small firm the corporation will assist.

The funds may be used to help small firms construct, modernize or expand their plants, and to develop industrial parks and shopping centers.

Often local development companies are organized by local chambers of commerce, committees of 100 or simply by groups of public-spirited citizens who have a sincere interest in furthering the economic development of their communities.

At least 75 per cent of the ownership and control of the local development company must be vested in individuals who reside or do business in a specified geographic area.

In order to obtain the funds it needs to operate, the development company may sell stock or memberships to local residents or other interested individuals. It also can obtain funds from banks, insurance companies and other private lenders, and can receive contributions, including donations of land. Some states have industrial lending authorities which inject funds in local development organizations.

In Lincolnton, N.C., for instance, 30 residents concerned with the decline in employment and general erosion of the economy banded together and contributed $500 each for the initial capitalization of the corporation. Since its founding, the development group has created over 2,000 jobs in the city by expanding existing Lincolnton firms and attracting new industry. The developers have obtained 19 loans from SBA to help small firms, and have reversed the downward economic trend in the city.

In Springfield, Colo., a small rural town in the southeastern section of the state, a local development company obtained a loan from SBA to buy land and build a feed lot and feed mill for the predominantly cattle-raising area. The original estimate was that 30 jobs would be created. In the four years the facility has been operating, some 90 jobs have been created in the mill and through satellite industries which have sprung up to further diversify and support the local economy.

A development company generally is required to provide 20 per cent of the cost of the project it undertakes and may apply to SBA for the remainder of the funds needed.

The development company should first determine whether a bank or other lender will provide the financing. In many instances, banks cannot make the entire loan but will participate with SBA in a loan.

The loan may not be for more than 25 years with maximum interest rate set at 5½ per cent.

Any of SBA's more than 80 field offices will provide the necessary loan application forms and details concerning the local development company program.



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PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

AT&T's Message to Its Customers: Spend Less

The telephone operator in the ad comments, "You know, it's funny . . . when I tell people they can dial long distance calls themselves, they probably think I'm trying to save myself work. Actually I'm trying to save them money."

In another ad, Mary Ann Van, executive secretary to TV personality Arthur Godfrey, says, "When my boss asks me to get someone for him long distance, all he wants is the party. He really doesn't know whether I'll call person-to-person or dial direct. Usually I dial direct. It saves money."

For two years, American Telephone and Telegraph Co. has sponsored ads with a similar message: Dial long distance direct and save money. The campaign has saved both AT&T and its customers many millions of dollars.

Richard Hough, president of AT&T's long lines division, says:

"Advertisers usually tell consumers how to spend their money. Now, AT&T is telling them how to save it. We're offering advice to telephone customers on ways to pay less for interstate long distance calls. In today's economy we feel that all telephone users—business and residence alike—will welcome any tips on how to save money. Advertisers owe customers more, especially today, than an appealing pitch. We're giving customers the facts, so . . . they can spend wisely."



An ad series succeeds in changing phone habits of AT&T customers.

For each percentage point increase in the volume of direct dialing, AT&T estimates it saves $6 million. Hence, an estimated 8 per cent increase in direct dial calls in 1971 accounted for $48 million in savings to the company.

What about the customers?

Well, if you dial your own three-minute, station-to-station call from New York City to Los Angeles over a weekend, for example, it costs you 70 cents. The same call placed through an operator is $1.40. Similar savings apply whatever time of day or week self-dialed calls are made.

An AT&T spokesman says business, traditionally the biggest maker of person-to-person calls, has now come around to direct dialing. When business discovered it could save money, he says, there was no question which way it would turn.

Businessmen Take a New Reading on the Library

Businessmen in Youngstown, Ohio, have rediscovered a source of valuable information in their own back yard—the public library.

Director David W. Griffith of the Youngstown public library had an idea that if he could get businessmen to the library to see all its services first-hand, they would make more use of it.

Mr. Griffith decided a businessman's breakfast might turn the trick. Servomation Corp., national food and refreshment service firm, put on a continental-style breakfast at the library. Some 60 executives showed up for juice, coffee, Danish and knowledge. The result: a brisk pickup in library patronage by the Youngstown business community.

Says William Spencer, president of the library board and past president of the Youngstown Area Chamber of Commerce:

"The breakfast was a great success and it will be repeated. Many businessmen had no idea of some of the services available at the library that can be helpful to them in their work.

"Take the trade directories, for example. They provide market information useful to many businessmen. You can find in them the names of dealers of every conceivable product in every part of the world.

"In a small community, the public library can play an essential role in business."

Some businessmen brought their secretaries to the breakfast to acquaint them with where and how to get information for the boss.

Weston Johnstone, executive vice president of the Youngstown Chamber, says many businessmen have found that information they usually seek from the Chamber is more readily available at the library.

Some businessmen stayed away from the first library open house because they thought it was a fund-raising gimmick, particularly since a library tax was on the ballot in an approaching city election.

But they have discovered this was not the case. Now, many more businessmen are expected to attend the next get-acquainted breakfast.

continued on next page

Waste Makes Space for Playing Fields

Every time a householder in Brookhaven, Long Island, puts out his garbage he's helping build a multi-million-dollar sports park.

The 74-acre facility is being built on a landfill site which consumes 1,000 tons of garbage daily. Michael Pope, president of the consulting engineering firm of Pope, Evans and Robbins, which is designing the park, says:

"Utilizing garbage for sports parks solves the problem of what communities are to do with their solid wastes, and assures space for future recreational facilities."

The Brookhaven park has a "unique financing arrangement," he says.

It is being built by the New York State Environmental Facilities Corp. with funds received from Brookhaven township for disposing of solid waste. The community pays the state agency about $3 a ton for these services.

The park will open in stages in 1973 and 1974. When finished it will have 16 tennis courts, 15 handball courts, five basketball courts, two football fields, six baseball diamonds, several swimming pools and a 7,000-seat stadium.

Two other parks are planned, each on 200-acre sites. One of these will have full-fledged ski facilities, with a ski mound built entirely of garbage.



This is an artist's conception of recreational facilities that will be created in a Long Island community, using solid waste as landfill.

The three facilities will cost, in all, about $20 million, and the whole project will take 20 years to complete.

Using solid waste for community projects is not new. Los Angeles, Pittsburgh, Norfolk and other cities have built parks, game preserves and ski slopes on compacted garbage. But none are as ambitious as the Brookhaven sports complex. "The difference here is that we're using the material to create a total recreational environment for people of all ages," says Norval C. White, architect for the project.

"In the past, you just filled up an empty space and after it was full and flat you said, 'This is a football field,' or 'That is a baseball diamond.'"

Bright Students Aren't So Gloomy

High school boys and girls who assemble in Chicago every winter for conferences on science and the environment have decided views on a variety of subjects.

The conferences, started in 1960, are sponsored by investor-owned electric power companies and annually attract about 700 youngsters, some of the brightest high school science students in the country.

A series of interviews conducted for *Nation's Business* is revealing:

• *What do you think is the Establishment's No. 1 shortcoming?*

Meryl Hoffman, 17, Ridgefield (Conn.) High School—"A lack of communication, really. I think that if kids talked more with their parents or if there were more of a debate, then people would get both sides of the story instead of being so prejudiced and one-sided. I think everyone would be a little bit better off."

• *Do you think the country is headed in the right direction?*

Leslie Ann Jordan, 16, San Clemente (Calif.) High School—"Yes, especially with this new public awareness that we have a problem in the environment and that we're doing something about it relatively quickly compared to the way we react to most things."

• *Do you regard business as a villain, as many young people do?*

Robert Perchak, 17, St. Patrick High School, Chicago, Ill.—"Well, business isn't really a villain. Business is the world, and if you're going to live in the world you have to do business."

• *What message do you think young people are trying to get across?*

Timothy David Finks, 16, Centerville (Iowa) High School—"First, I think we have to demonstrate that we aren't out to destroy everybody. Unfortunately, some young people are set on destroying business, industry and government. We have to impress on the older generation that there are things we can do to improve the world that don't involve rioting and some of the other violence we have read so much about."

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Sound Off to the Editor

A Nationwide Presidential Primary?

In his first year in office, President Woodrow Wilson asked Congress to provide for primary elections at which voters "may choose their nominees for President without intervention of nominating conventions."

Pressures for electoral reform were strong in the country in that period, and Mr. Wilson said he hoped his proposal would be "handled promptly and without serious controversy."

Nearly 60 years later, selection of Presidential nominees is still firmly in the hands of conventions; fewer than half the states have their own Presidential primaries and the issue of a nationwide vote to select candidates for the nation's No. 1 office remains very much a matter of "serious controversy."

Those advocating a national primary state their case this way:

• All voters should have a voice in the selection of nominees, as well as in the final selection of the President.

• The present patchwork system in which some states have primaries and others do not gives undue significance to the preferences of the relatively small numbers of citizens who actually cast ballots in the primaries.

• Despite reforms, the convention system still carries the potential for such abuses as a handful of political bosses making decisions in a "smoke-filled room."

Advocates of a national primary, in short, see it as a way of making sure that the candidate selection procedure reflects the popular will at all stages.

Those opposing a national primary say:

• Whatever its shortcomings, the present system generally has led to nomination of men who previously held positions of high responsibility and had broad experience. However, a national primary in this era of television watching could give an advantage to aspirants with superficially pleasing personalities and lots of money, but little experience or ability.

• Voters traditionally have not participated in primaries in great numbers, so a national primary would not really mean all voters would have a voice in the selection of Presidential nominees. Judging by past performance in state primaries, the decisions could well be made by fewer than 25 per cent of all voters.

• A national primary could jeopardize the two-party system because candidates who lose by close margins might be encouraged to strike out on their own. There's magic for a politician in seeing millions of votes cast for him nationwide.

So the arguments go. What do you think? Should we have a nationwide Presidential primary?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we have a nationwide Presidential primary? ☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

Company.....

City.....

Sound Off Response

Speaking Ill of a "Remedy"

By an emphatic four to one margin, readers answering last month's "Sound Off to the Editor" question—"Is Class Action a Fair Remedy?"—say No.

A great number of those responding dwell on the danger to free enterprise. They see class action as spawning manifold problems. For example, William E. Umstattd of The Timken Co., Canton, Ohio, says "it would undoubtedly lead to harassment of business by men and organizations seeking notoriety."

Thomas H. Corson, president of Coachmen Industries, Inc., Middlebury, Ind., says class action is "absolutely" not a fair remedy. He adds: "There is no way circumstances among customers—their relations with vendors, their usage of a product and efforts to remedy any defect by vendor or manufacturer—would always be identical. No one can satisfy everybody. Class action would jeopardize the future of the total business community and place a business's future in wrong hands. It would be extremely socialistic."

Many readers express concern about the direction of the consumer movement.

"When is someone going to propose a remedy to protect business from the consumer?" asks William S. Janin, president of the Union Finance Corp., New Orleans, La. "Consumerism is a two-way street."

And it is not just the big businessman who can be seriously damaged, laments Lawrence Durand, of the Reedsburg Beverage Mart, Reedsburg, Wisc. "The single proprietor running a business on his own money, making a living for his family, must have some protection from the fly-by-night customer, too," he says.

R. D. Butterworth, president of the National Equity Corp., Richmond, Va., asks along with his No vote: "What about the company which is being served by several suppliers, one of which sells him a product that fails to do what it is supposed to? As a result the company producing the final product is opened up to the brunt of the public wrath."

Many readers warn that the types of consumers needing more protection wouldn't be benefited. W. F. Van Amburg, a project manager with Textron's Talon division in Meadville, Pa., says: "The changes being proposed are totally unfair in concept. This will not protect against the small perpetrators of fraud. The present laws governing class actions are too lenient in their implementation."

The idea of being unknowingly or unwillingly involved in a class action suit rankles many readers, as typified by Charles E. Miller, secretary and treasurer of The Lincoln Savings and Loan Co. of Cleveland, Ohio. He says: "I resent being made a party to a complaint against my will and without my consent. If I desire to sue for some reason, I will sue. I certainly don't need someone else to be my hatchet man."

Equally unhappy at the prospect is J. O. Cavanagh of the Chemetron Corp., Hanover, Pa. "I object to such suits being initiated in my name without my permission," he says.

He cites a current class action suit against an aspirin manufacturer on behalf of all users of aspirin. Mr. Cavanagh strongly believes the particular product is the best and sounds his frustration with this question: "How can I stop this suit being initiated for me as an aspirin user?"

Verna M. Empson, of Empson Insurance, Chappell, Nebr., votes Yes, remarking: "People are going to have to band together; groups are more effective than one individual." She adds this warning, however: "The worst thing that could be done is get the government, with all its red tape, involved."

A broadside comes from A. S. Krebs, owner of A. L. Krebs & Son, a food brokerage in Cincinnati, Ohio. He writes: "Class action is just another way for lawyers to featherbed and further entrench themselves in the citizen's hair. We have too many lawyers in government now. One of the things we don't need is class action."

A Yes vote with strings attached comes from David A. Smith, president of American Physical Fitness, San Rafael, Calif., who believes maximum use should be made of local courts and review procedures.

So does H. L. Conner, division manager of the Channing Co., Inc., of San Diego, Calif., but he votes No.

"It might prove less expensive to improve and strengthen the small claims courts and such other areas as the state attorneys general to cope directly with the most common type of consumer complaints," he says.

"I have seen the effectiveness of the local City Attorney's office to take corrective action quickly. In my opinion, class actions are not normally a fair remedy."

Also casting a No is H. C. Robinson, Sears, Roebuck and Co. general credit manager for the Southwest, based at Dallas, Texas. Like many readers, he is concerned that the courts will be overburdened even more than at present.

F. B. Reed, General Motors Corp., Detroit, Mich., concurs. He says: "Today the attitude of the consumer is sue, sue, sue! I believe the businessman needs protection, but if anyone can 'join a group and file a suit' it will cause the businessman additional expense, (which the customers pay), will add to the already overloaded court dockets and harass the businessman."

F. A. Veltrie, president of Veltrie Brokerage, Inc., Denver, Colo., accompanies his No with the comment: "The courts can't possibly handle all of them in a million years."

Bud Belz, president of the Travelers Motor Club, Oklahoma City, Okla., along with his No vote, proposes this for legal fees: "Let the party at blame pay the cost. The loser of the lawsuit pays attorney fees and all reasonable costs. Business will not be plagued by fraudulent suits and the consumer will be protected."

B. B. Martin, secretary-treasurer of Vivian's, Inc., Lake Charles, La., is solidly in the No camp, but a laconic comment from him seems to sum it up for both sides:

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Response *continued*

J. W. McAnnich, vice president of the Pioneer National Title Insurance Co., Dallas, Texas, also votes No and comments: "The cost of defense for a company or industry is extremely high. A petition for a class action should require more than one plaintiff and, in addition, a bond in sufficient amount to pay cost of defense if plaintiffs do not prevail.

"Very few of the 'class' ever come forward to claim their shares of the award, and the attorney for the plaintiff is the winner of a large part of the award."

Kenneth M. Leffler, an attorney in Sanford, Fla., also votes No when it comes to reducing the jurisdictional amount for federal court class actions from the present $10,000 all the way to $10. While conceding that class action has its place in the judicial system under specific circumstances, he observes: "Consumer protection has gone too far and in my opinion the best thing for our country and a strong competitive economy would be a return to the rule of *caveat emptor*."

From Chandler, Minn., Alvin C. Peterson, president of the State Bank of Chandler, returns a No vote because "passing laws to protect all of our citizens for every conceivable incident is ridiculous. As educated as the people of America are supposed to be, it is time we begin to use some wisdom."

He contends that in the natural course of events any firm or organization which doesn't provide good service or merchandise won't stay in business very long.

E. E. Anthony Sr., chairman of the board of The Commercial Bank, Andalusia, Ala., says No and adds these comments:

"Class action is similar to truth in lending. It is not possible to restrain those who are guilty of bilking people from selling or lending to the public. It takes twice as long to make a personal loan because of all the forms we have to fill out, and not one person in 10 ever reads these forms, as they trust us.

"The general public needs to keep being informed of the fact that you can't get something for nothing, and the laws should be strongly enforced against the frauds. It appears to me

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that it is the intent of the federal government to control every segment of our society."

"Class action is too lethal a weapon in unrestricted hands," says E. M. Stevens, board chairman of the Great Western Finance Co., San Antonio, Texas. "It is the most vicious threat to society since the atomic bomb. Because of anti-establishment propaganda today, a victim is indicted and convicted when it hits the news media. It is an invitation to blackmail, a windfall for plaintiff attorneys.

"The unscrupulous could use it against a competitor. Creditors could well 'call' a weak company and bankrupt it. The best consumer protection is education under our free enterprise system."

George Rhoads, owner of Rhoads Grocery, in a far smaller Texas town, Old Glory, also votes No. "We have enough laws now if we could get them enforced," he says. "The small claims courts, if properly handled, can be the answer to a lot of problems. Heavens no, let's don't extend the authority of the federal government."

Not all respondees are active businessmen. For example, John A. Hammar, secretary of the New England Poor Peoples Congress, Holyoke, Mass. He votes Yes, saying:

"It is certainly the only way the poor can be represented as consumers other than through already inadequate legal service programs."

Clifford Grill, partner in Swiss Industries, Hillsdale, Mich., says No and one-lines: "I think there would be 10 false claims for every legitimate one."

This terse comment comes from R. L. Moody, owner of the Culligan water conditioning outlet at Inglewood, Calif.: "It is a bad remedial substitute for a flaw in a good system."

R. S. Trigg, assistant secretary and general manager of the Armstrong Cork Co. legal department, Lancaster, Pa., offers an alternative—administrative tribunals, established by either the government or business, to hear small product-liability claims.

"Unless some such remedy is made available to consumers soon," he says, "the class action concept will be expanded, to the detriment of responsible business and honest consumers."



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Setting Your Sights in the Job Hunt

Job hunting?

If you are, says the Employment Management Association, "you're selling yourself. To do that, you must know the product you're offering.

"So before you do anything else, make an objective self-evaluation."

To begin with, EMA suggests, here are some questions you might ask yourself:

- Have you been pursuing the right objectives?
- Should you stay in the same industry?
- Should you look into new fields?
- What kind of organization would you like to be in?
- Do you fit best in a big company—or would a smaller, more informal one suit you better?
- What do you want in a job? Security and less pressure? Or a fast track and tough competition?
- Where do you want to be five or 10 years from now?
- What really is your goal?
- Do you have the tools to accomplish it?
- What does your family want?

"Don't underestimate your wife's input," EMA advises. "She may be in a better position than you to see the forest, while you see only the trees."

EMA, a nonprofit educational association of personnel managers representing some 200 major companies, says the job-switcher or job-hunter must keep a "realistic, positive approach."

Experience and training should be assets, not handicaps, it says.

"Remember," it says, "age should not be a factor. Federal regulations ban discrimination because of age—and the penalties are severe." END



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When the Job Safety Inspector Knocks

The man in charge of enforcing a new law that affects over four million employers discusses what they can expect, and what they should do to get ready



Labor Department's George C. Guenther, who heads a nine-month-old job safety agency, was formerly president of his family's hosiery firm in Reading, Pa.

PHOTO: JOHN REUSSER

At the U.S. Department of Labor, chart lines showing the number of monthly inspections under a tough new job safety law move steadily upward.

More and more employers are coming into direct contact with the Occupational Safety and Health Act which took effect last year and is still in its early stages.

Its coverage alone—over four million employers and nearly 60 million employees—makes it one of the most sweeping of the many federal laws affecting business. The only business activities exempted are those already covered by special laws—mining, for example.

And even if an inspector doesn't come knocking right away, all employers are required to keep a new set of records on job-related injuries or illnesses.

Businessmen will find record keeping only one reason that the cost of compliance with the Act will be considerable. Biggest cost factors will be equipment and procedure changes that are necessary under new standards.

For an in-depth look at how the program is shaping up, how it's being administered and what employers can expect when an inspector does arrive, NATION'S BUSINESS went to the top man.

He's George C. Guenther, assistant secretary of labor in charge of the Occupational Safety and Health Administration—"OSHA" in federalese—who was a business executive for many years before entering government service at the state level.

What is the Occupational Safety and Health Administration and how will it reach individual employers?

This agency was created for the sole purpose of implementing the Occupational Safety and Health Act that went into effect last year. The core of the agency was the old Bureau of Labor Standards, which I directed from 1969 until it was phased out last year. We had about 300 employees in the Bureau. Our total complement now is around 800, throughout the country.

We have 10 regional offices and, under them, 52 area offices. Our compliance officers—the men, and there's one woman so far, who make the actual inspections at plants and other work sites—operate out of these area offices. So the individual businessman's contact with the program will be through an inspector employed in his area.

Does everything flow through these field offices back to Washington?

Not at all. We are not attempting to operate the program out of here. We do not maintain centralized files. We do not have here a copy of every inspection report or enforcement ac-

tion taken in the field. Our regional administrators have a lot of authority, within broad, national guidelines established by us, and they have been exercising it well.

How many inspectors do you have in the field and what are the plans for adding more?

We are one of the very few federal agencies permitted under the President's economy plan to expand our staff. We now have 336 inspectors and expect to reach 552 by the end of this fiscal year, July 1.

Projecting beyond then is difficult because we are going to have state involvement in this program. States that develop programs as effective as the federal one will be given responsibility for job safety within their own borders, with the federal government paying half the cost.

So, if we get a substantial number of states with acceptable plans, they will be using their own people and our growth rate will be minimized. But we will take responsibility in those states that do not meet federal criteria.

What is the process for selecting places to be inspected?

We have four priorities:

No. 1 is investigation of catastrophes and fatalities. Our regional people were on the scene within a few hours after the tunnel explosion at Port Huron, Mich., last December, for example.

No. 2 is evaluation of complaints submitted by employees, which they are entitled to do under the law. Where we consider them valid, we investigate and take whatever action is appropriate.

No. 3 is what we call the "target industries," those where the injury rate is high compared with the national average. Those industries are roofing and sheet metal; meat and meat products; lumber and wood products; manufacturers of mobile homes, campers and snowmobiles; and stevedoring.

The final category is a random cross section of all kinds of establishments—in all kinds of industries and of all sizes from the largest to the smallest—on as broad a geographical basis as possible. The point here is to establish our presence in the field as broadly as we can.

Should an employer expect advance notification?

The law generally prohibits advance notification. Where, in our judgment, conditions make it appear that such notice would be in the best interests of an effective inspection, we notify both the employer and employee organizations. But the regulations specify that in no case can the advance notice be more than 24 hours.

The great majority of inspections to date have taken place without advance notice.

Assume I'm an employer and an inspector arrives at my plant one day. What happens next?

He will identify himself, will ask to see the senior management representative and will inform him of the purpose of the visit. If he is there in response to a complaint, he will give the employer a copy.

It may or may not show the name of the employee who made the complaint. The worker has an option here. I might add that the Act is very clear in prohibiting discrimination—discharge or other actions—against an employee who has filed a complaint. Heavy penalties could result.

What other preliminaries are there?

The compliance officer will provide the employer with copies of the applicable standards for the type of establishment involved, and will explain what he'll be doing in the course of the investigation.

He will inform the employer of the provisions of the Act known as the "walkaround," including the right of a representative of the employees to accompany the inspector. That would be where there is a union or some type of employee organization to select such a representative. If the plant is non-union, an employee representative would not normally be designated. Here, the inspector would consult with a reasonable number of employees to determine whether they have anything to say to him.

Does the employee who filed a complaint have the right to accompany the inspector?

No, it's not automatic. If the union members choose him as the employee representative, so be it, but he would not participate otherwise. Our experience has been that someone else is chosen. The law does specify that we notify the complaining employee of the results of the inspection.

If the inspector is there because of a specific complaint from an employee, is he limited to that one situation or can he conduct a general inspection?

He is not limited. Where a complaint has been filed, our policy generally calls for investigation of the entire workplace.

An exception might be a case in which a full inspection would create problems for us at that particular time. If it's a huge manufacturing plant, for example, the odds are that we would look only at the situation cited in the complaint, rather than conduct an investigation that could take weeks. Another factor would be the inspector's schedule—how many places he has to be and when.

What happens if a violation of safety or health standards is found during an inspection?

In the first place, I should say that if the inspector finds what appears to be a violation, he does not make a declaration then and there. He has a variety of forms—we are no different from other agencies in this regard, we have our forms from A to Z—and he fills them out. He takes notes, he asks questions, he takes tests if necessary. In some cases, he might have an industrial hygienist with special capabilities come in to test the air, or chemicals or a variety of things.

In any event, when he has concluded the formal walkaround, he has what we call the "closing conference" with the employer. It is here that the inspector, if he has found an apparent violation, raises the issue with the employer.

Do employee representatives, union leaders or the worker who participated in the walkaround join in this discussion?

No. This is a conference with the employer.

The inspector discusses what he believes to be the situation in the

When the Job Safety Inspector Knocks *continued*

plant, and gets as much information as the employer cares to give him on his intentions for corrective action, problems, plans and so forth.

Would a formal complaint be issued at that time?

No. The inspector goes back to his office and, under our regulations, must confer with his area director before taking any action with regard to alleged violations, citations or penalties.

If, after that consultation, a decision is made to issue a citation charging a violation, it is prepared and sent by certified mail. The period in which corrective action must be taken is specified.

How do you determine how much time should be allowed?

Largely on the basis of information generated out of the closing conference. That's not to say the employer is calling the shots, but what he tells us about his problems and plans for abatement is obviously pertinent to his ability to make changes.

What if it's a smaller plant that just doesn't have the capital to make the changes?

At the time Congress passed the Occupational Safety and Health Act, it amended the Small Business Act to provide that the Small Business Administration can make loans to employers who need financial assistance to come into compliance with the safety act. And that's "small business" as defined by the SBA, which is a pretty broad definition and covers some pretty large establishments. We have published regulations spelling out the details of how to apply for such loans.

If the employer disagrees that there is a violation, or wants to protest the penalties, what are the procedures?

He has 15 working days to file a protest. If he does not do so in that time, the citation and penalties become final and not subject to review in any court.

If he does file a protest, it is with this agency. We refer it to the Occupational Safety and Health Review Commission. This is a separate, three-member body created to provide an independent judgment of the Labor Department's actions in implementing the new law. The review process begins with a hearing by a Commission examiner who is in the plant's geographic area. The Commission's decision then can be appealed to a U.S. Court of Appeals.

We have some 260 contested cases at the present time and are scheduling hearings all over the country.

Are these procedures followed in all cases?

There are other provisions in the law which allow an inspector to go immediately into a U.S. District Court to obtain a restraining order. This applies if he finds a situation that poses what we call an "imminent danger" of death or serious injury and the normal enforcement process would take too long.

We have found, however, that employers have taken immediate and voluntary action to correct any such situations.

Some people take the position that employers are in business to maim, and couldn't care less about their employees. We just don't buy that. We have found employers overwhelmingly cooperative in correcting problems immediately.

We've been talking about actual inspections. Is there anything that an employer can be doing before the inspector knocks?

Very definitely. He ought to be familiarizing himself with his responsibilities under the Act. He ought to be in touch with his trade association, with his chamber of commerce, or with other groups that have made it their business to become familiar with the Act. Or he can contact one of our offices. He can obtain copies of the standards we have issued thus far on what steps should be taken to assure a safe workplace. He can obtain information on what our field program is all about and what he ought to be doing to put his place into the kind of condition we are aiming for. Those are the kinds of things he ought to be doing now.

There have been complaints that the new law imposes excessive additional paper work on employers. Also, that your inspection staff is too small to be effective. What's your comment?

We have attempted to minimize paper work. There is nothing required beyond keeping records on fatalities and injuries related to the work, and posting an annual summary of those records in the workplace. A few employers will be asked to submit their summaries to us for a national profile that, for the first time, will give us a good picture of what the situation really is so far as deaths, injuries and illnesses related to work are concerned.

As for the inspection staff, I would be the first to concede that, given our life span of nine months, we are far from able to cover the territory. We clearly need additional people and we hope one of the sources will be those states that develop acceptable programs of their own so that we don't have to go into them.

But given the amount of time we have been in business, I reject the charge that we are not doing enough. I think we are being responsible and at the same time living within reasonable limits on how fast agencies can effectively grow.

You have referred to voluntary action. How important is that?

Our objective, right now at the beginning of the program and forever, will be prevention of injuries and illnesses, rather than reacting after they occur. The program cannot succeed unless employers and employees comply voluntarily at their own workplaces.

Employees also have responsibilities under the law?

The Act is very specific on the responsibility of employees to conduct themselves in a manner that will avoid bringing about injury or illness to themselves or their fellow workers.

We are never going to have enough traffic cops, if you will, to have someone standing there at all hours of the day and night saying, "You have to do this, you can't do that."

Lacking voluntary cooperation from employers and employees, there's no way a federal or state regulatory agency is going to be able to force health and safety into the American workplace. END

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Our Rube Goldberg Labor Board



BY EDWARD B. MILLER, CHAIRMAN OF THE NLRB

This, gentle readers, is a set of instructions on how to make—and to preserve—a funny-looking and seemingly hopelessly inoperable machine for deciding labor disputes.

First instruction: *Make it political.* One thing history has taught us is that effective judicial systems should be as free as possible from political control.

So, if one wanted to build a labor judiciary which was likely to have a minimum of public respect and a maximum of instability, the members of its principal tribunal ought to be subject to political appointment.

It would also be desirable to give those members relatively short terms, so that as Administrations change, a whole new set of members could be appointed in the heat of political controversy.

This basic idea could be further improved if the tribunal is designed so as not to have all the appointments made at once, because if they were, the politics involved in the appointments might be forgotten over a period of time. It would therefore be advisable, for example, to have five members of this judiciary with five-year terms each, and to stagger the terms so that one member could be appointed each year. In that way the press could bring the political nature of this odd machine to public view four times during each Presidential term, and invite political controversy over the membership on as nearly a continuous basis as possible.

(A good name for such a tribunal would be the National Labor Relations Board.)

Second instruction: *Make it too small.* One judge—or one Labor Board member—can do only so much work. Deciding difficult cases requires painstaking mental concentration and can be done effectively only if adequate time for careful deliberation is available. So if the aim is to build a lemon, it obviously is desirable to have too few members of the tribunal to handle the anticipated case load.

A formula to achieve this objective might be, for example, to calculate how many cases you could reasonably expect the tribunal to handle, and then to apply a multiplier which would make it as nearly impossible for the tribunal to function as you could imagine.

Since, as I have suggested, careful deliberation is required to review an entire record and then to draft and agree upon a well reasoned decision and opinion, you might conclude that one or two cases a week would be about as much as an average Board member ought to be expected to manage. That would be around 100 cases a year, if the members are to be allowed a couple weeks of vacation, but no other time off for illness, holidays, speechmaking or other such frills.

So a multiplier of five would suggest a good unreasonable case load of 500 cases a year. Of course, to be truly ridiculous, one could use a multiplier of 10 and come out with a rib-tickling 1,000 cases a year.

(The National Labor Relations Board, this fiscal year, expects a case load of over 1,200.)

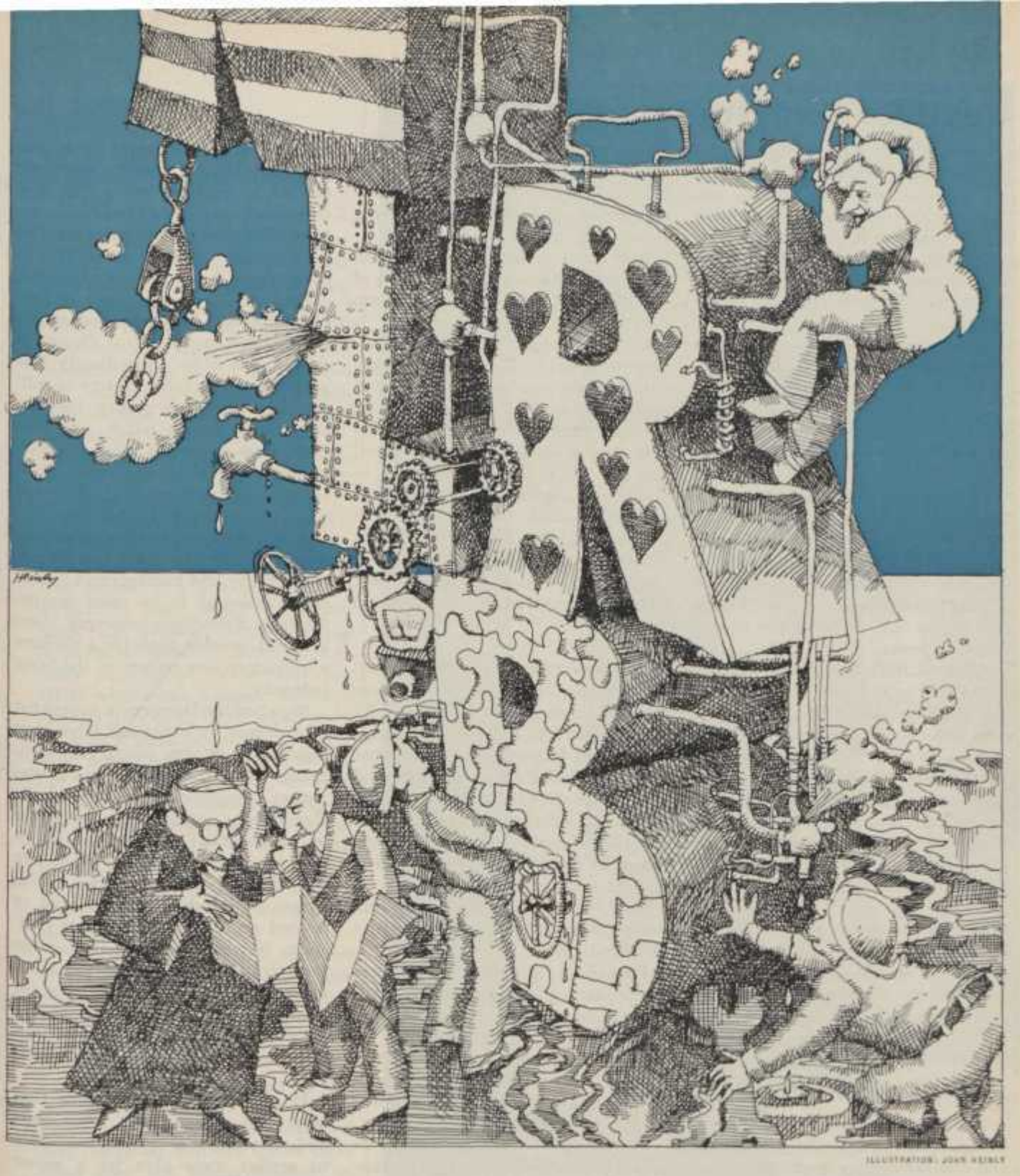
Third instruction: *Give it a minimum of legal authority.* Naturally, if a judge is to be an effective judge, his decision must be binding on the parties who appear before him. Once he has decided a case, someone must have the authority to make his decision effective.

Thus, if a magistrate or justice of the peace finds you guilty of a traffic violation and imposes a fine, the sheriff or a policeman can arrest you and even put you in jail if you don't pay it.

Or, if you are a breach-of-contract suit defendant in the lowest state or federal court, and are ordered by the trial judge to pay the plaintiff $1,000, you are likely to find your salary garnisheed or a lien slapped on your property if you fail to pay that $1,000.

Of course, you usually can appeal to a higher court. But generally you must put up a bond and/or persuade the trial court or reviewing court to grant a "stay," if you are to be allowed to avoid carrying out the trial court's order pending outcome of the appeal.

So if you are seeking to create a so-called judicial machine which will have a minimum amount of public



ILLUSTRATION, JOHN KEALY

respect and effectiveness, this business of authority or binding effect of the decision-making power has to be curtailed in a thoroughly restrictive way.

The instruction sheet then might specify that the decision of the man who presides over the trial should have no effect at all! But, you say, how can you do that and still call it a judiciary? That calls for some really creative thinking, doesn't it?

One possible idea would be not to call the trial judge a judge at all! Call him a hearing officer, or trial examiner. Then nobody would think he's a judge, and nobody would expect his "decision" to have any legal effect. But he could be allowed to write up his "decision" and maybe even something called a "recommended order," so long as it was clear that everything he did had to be looked at anew (the lawyers call that *de novo* review) before anything really serious could happen.

Now that ought to do the job pretty well. But if it were desired to diminish the effectiveness of the system to the point of near-absurdity, there is still one further available gimmick: Fail to give the decision of the *de novo* reviewing tribunal—the five-man Labor Board, for example—any authority either! Sure, that sounds kind of silly, but it *could* be

Our Rube Goldberg Labor Board *continued*

done by adding some more work to that already overloaded tribunal, and telling it that before its decision can have enforceable effect, it must go to a U.S. Court of Appeals, and letting that Court have still another look at the case before any decision in the matter can have the force of law behind it.

And, of course, due process would then require that at each one of these steps—the trial, the written decision of the examiner, the Board, and finally the Court—adequate time be allowed for the parties to file briefs, exceptions, requests for extensions of time, and the usual run of normal legal procedures.

Thus the time would be stretched out so thoroughly that even a Board which was *not* overloaded with cases couldn't possibly get any case through this drawn-out tangle in less than a couple of years.

(The NLRB's trial examiners are authorized by law only to issue tentative decisions and recommended orders, which are subject to *de novo* review by the five-man Board in Washington. The Board's decision, in turn, has no legal effect until enforced by a U.S. Court of Appeals. The median time from issuance of a complaint to a Court of Appeals decision hovers around the two-year mark.)

Fourth instruction: *Fragment its jurisdiction.* Following the above instructions should produce a fairly awkward contraption, but if another confusing touch were needed, it could be found in splitting up the labor judiciary into so many segments that jurisdictional fuzziness might pervade the scene.

The rules for railroads and airlines, for example, could be a little different, and another agency might be named to hear disputes in that area. Still another agency could be charged with the duty of administering federal labor policy for public employees.

And there could be a federal policy of fostering arbitration of all disputes arising under collective agreements, though it could be left unclear as to whether disputes under those contracts sometimes could also come before the Labor Board for decision.

Then there could be yet another agency to hear and determine questions of discrimination in employment, but with no clarification as to whether the Labor Board should also take jurisdiction over cases involving those same issues.

And there could also be left open for debate the question of the area of jurisdiction of federal and state courts over labor contract disputes.

By these means, to take a not-so-extreme example, the issue of whether an employee has been discriminated against because of race, religion or the like could conceivably be tried before an arbitrator, *and* the Board, *and* the EEOC, *and* in a federal or state court, and so on *ad infinitum*—and *ad nauseam*.

(The need for a unified labor judiciary in this country would seem obvious—but it is an issue which has, thus far, received scant attention anywhere.)

Final instruction: *Preserving the funny machine.* There may be those innocents among my readers who are naïve enough to believe that if anyone should follow these instructions and really build a funny-looking and near-inoperative judicial machine like this, public sentiment would soon see the folly of it and rise up to demand that it be reformed and redesigned in a more sensible way.

But the more sophisticated will recognize quickly that this is not likely to happen.

First of all, the notion that the need for reform and change in any judiciary is ever quickly recognized and acted upon is not realistic.

Almost every state in the Union is saddled with a court system which is badly out of date and inadequate to today's needs. Who cares?

The judges of course, but how many votes do *they* have? The lawyers, perhaps, but they don't make up a very sizable voting group, and furthermore, while some lawyers do earnestly want promptness and efficiency in the judiciary, others have a vested interest in delay because it can further their clients' interests. The clients? Again, some of them are happy for a chance to delay being brought to the bar of justice.

And the average citizen rarely has to "go to law," and has only a passing interest in what happens in the courtrooms that he almost never sees.

But if normal inertia were not enough to prevent real public concern about any clumsy judicial structure, there is another preventative peculiar to the labor scene. That's divisiveness in approaches to reform.

Because labor and management have different interests and objectives, if one says it wants change or reform, the other immediately suspects some concealed motive of self-interest. Also, it's pretty easy to persuade those on either side that their ideas of reform must not look anything like the other side's ideas, for fear of being accused of "going soft" or consorting with the enemy.

And, since labor has had some tendency to identify with the Democratic Party and management is generally assumed to be more sympathetic to Republican concepts, there is a still broader basis for a divisive approach to any reform of the labor judiciary.

So, when the Democrats, supported to a degree by organized labor, put together a reform called Reorganization Plan 5, for instance, it was almost a foregone conclusion that the Republicans, supported to a degree by management interests, would oppose it. And when Republicans like Sen. Robert Griffin or Sen. John Tower proposed a different kind of revised structure for the labor judiciary, it was not likely that either Democratic legislators or the labor movement would support them, or even look at such proposals with a view to offering constructive suggestions for making them more workable.

It seems to be unthinkable that labor and management, Democrats and Republicans, might cooperate to perfect some plan for a better labor judiciary—even though representatives of each would concede privately that none of the proposals advanced thus far is perfect, and that a carefully drawn new plan is needed.

Faced with such a potential for polarized and emotionally charged positions, and faced also with the knowledge that judicial reform in general has a low priority among the electorate's concerns, there seems to be little incentive for any Administration headed by either party to

take an affirmative, aggressive stand on the need for a more workable labor judiciary.

The job gets done—for now

If all the above sounds very much like a cynical recipe has been used for constructing and preserving today's National Labor Relations Board, it is far more coincidental than you may conclude. For I do not suggest that any satanic creature deliberately built us that way. But that's how events seem to have turned out.

It is also only fair to say that this peculiar machine, which by all odds should never work, actually does.

The five-man Board in Washington *is* handling those 1,200-plus cases a year in a surprisingly creditable way. And thanks to a first-class field organization, over 30,000 additional cases are disposed of by locally achieved settlements, withdrawals, or other expeditious means—and this latter astronomic number within a median time of 45 days, which is an amazingly good record.

So in one way or another, like an old-time haywire mechanic, we manage to make this clumsy equipment do the work of the agency. But as each year goes by, it creaks and groans more and more, and if we don't want to let it fall apart like the one-hoss shay, it's high time for a thoroughgoing overhaul.

Nor, despite all of the obstacles which are implicit in the above discussion of "preserving the funny machine," am I convinced that reform of our labor judiciary is a dead or hopeless issue.

The processes of democracy are slow and often cumbersome. But reforms in our institutions can and have been achieved through those processes when the public demands reform, and when the need is sufficiently obvious that even distrustful opposing forces realize that a procedural reform must be undertaken jointly, and not as a part of substantive law changes on which they will doubtless continue to differ.

In this case, interested parties and the public must recognize a fact of life. That fact is that we need, and need badly, to redesign and rebuild the Rube Goldberg labor judiciary that the NLRB has become. END



New Peril for the Multinational Corporation

Three top executives say a proposed law before Congress could not only deal U.S. world trade a devastating body blow, but could hurt domestic employment



Export sales of Caterpillar Tractor Co. products have increased many times since the company went multinational, reports Executive Vice President Lee L. Morgan. The tractor behind him is bound for Syria.

On the grounds of an office building in downtown Peoria, Ill., the flags of 10 countries on five continents fly alongside the American flag.

That international display in the heartland of the nation is a colorful symbol of how foreign trade has become an important part of U.S. business in all parts of the country.

The flags, outside the strikingly modernistic headquarters of the Caterpillar Tractor Co., represent nations in which the firm has subsidiaries or affiliates.

Have the overseas production facilities had an impact on Caterpillar's operations at home? Decidedly, says Executive Vice President Lee L. Morgan:

"In every case where we have established manufacturing plants overseas, our exports from the U.S. have risen. Some of the increase is attributable to parts and components for machines manufactured abroad. But most of it has been in entire machines not made overseas. In other words, producing part of our product line in a foreign marketing area has strengthened that market's demand for other Caterpillar products manufactured in this country."

Since Caterpillar first went overseas in 1950, Mr. Morgan points out, its export sales of products made in U.S. plants by U.S. workers have soared 700 per cent, to $722 million. In the same period, domestic employment more than doubled, to more than 50,000 workers.

• • •

It's only a few miles from Cuyahoga Falls, Ohio, the home town of Charles J. Pilliod Jr., to the executive suite he now occupies in Akron as president of Goodyear International Corp. and executive vice president of the parent Goodyear Tire & Rubber Corp.

But he traveled quite a few miles to get there, going by way of Panama, Peru, Colombia, Brazil and Great Britain. Mr. Pilliod held increasingly important posts in the Goodyear operations in those nations and now oversees 58 manufacturing facilities in 34 countries. His background makes him particularly qualified on the subject of the U.S. role in world trade.

Of the contention that American companies "export jobs" when they establish manufacturing facilities overseas, Mr. Pilliod says bluntly: "That's a phony argument."

Goodyear's domestic employment, he points out, jumped from under 30,000 in 1940 to over 80,000 in 1970, with the post-World War II period marking the fastest overseas growth. In the last 10 years, exports of products turned out by its workers in this country have increased 14 per cent.

"We export all types of the products we manufacture in this country," Mr. Pilliod points out. "Many of our ex-



A Caterpillar crawler-loader built in France is trucked past the Colosseum en route to an Italian customer. Purchase of products a firm makes abroad is often a first step to orders for products it makes only in this country.

ports go into our own operations overseas."

• • •

Chairman E. M. de Windt of Eaton Corp. has a panoramic view of Lake Erie from his office in company headquarters near the Cleveland waterfront. His view of the future of world trade is far more spectacular:

"In the 1970s, business will emerge as the most powerful force for peace, progress and an improved quality of life for people of the world."

But if this country is going to participate fully in the world economy, labor, management and government are going to have to do some hard thinking about how America can be competitive, Mr. de Windt says. "We have to reappraise the total structure."

A youthful-looking 51, the Eaton chairman is very much a global executive. His company, with $1 billion in annual sales, operates in 22 nations and will launch a joint venture in Japan in April.

A recent meeting of the Eaton board was held in Manchester, England, so members could inspect the company's facilities in that country.

• • •

These three executives are among the leading spokesmen for a major U.S. role in the world economy at a time when efforts are intensifying to curtail foreign production by American firms.

Multinational enterprises are a particular target. Overseas operations of U.S. companies have had explosive growth since World War II, with an estimated 8,000 foreign subsidiaries established in that period.

(The "multinationals" are companies with production facilities in foreign countries.)

For many major corporations, overseas operations account for a quarter to a half of their earnings.

As Congress gets down to business for 1972, there are various bills pending to curb international trade of U.S. companies. NATION'S BUSINESS sought the three executives' views on the one that has gained the most attention, "The Foreign Trade and Investment Act of 1972."

While its official sponsors are Sen. Vance Hartke (D.-Ind.) and Rep. James A. Burke (D.-Mass.), the legislation embodies policy goals of the AFL-CIO.

Sen. Hartke said, in introducing the measure: "This bill would discourage American business investment abroad and limit the flow of imports into this country."

What would be the effect of achieving such goals? Mr. de Windt puts it succinctly: "Disaster."

Mr. Morgan says that calling the bill "The Foreign Trade and Investment Act" is comparable to describing as a "Social Security Act" a measure to stop government assist-

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New Peril for the Multinational Corporation *continued*

ance to the aged. As the business community sees it, the bill would:

- Substantially increase taxes paid by U.S. companies on their overseas operations.
- Empower a new federal agency to set quotas on imported goods.
- Make foreign investment plans of U.S. companies subject to federal scrutiny, with the possibility the investment would be prohibited, curbed or otherwise regulated.
- Set stiff controls on use of U.S. patents abroad.

Curtailing American companies in world trade would aggravate the balance of payments problem, businessmen point out. In 1970, American multinational companies brought in some $6.2 billion into this country from earnings on overseas investments.

While organized labor presses for the restrictions of the Burke-Hartke bill, a move under way at the highest level of government is heading in the opposite direction.

A White House task force representing 10 federal Departments and agencies is preparing a report that will picture the multinationals as substantial contributors to the domestic economy.

Recommendations are likely to include one for easing antitrust laws to allow U.S. companies to work together in world markets, where their competitors often have strong backing from their respective governments.

President Nixon has taken a deep personal interest in the U.S. position in world markets and is known to want to remove many of the governmental and other restrictions hampering American business in the international arena.

Exporting jobs?

A key argument of those backing the Burke-Hartke bill is that it would force U.S. corporations to retain production facilities in this country and provide a market for their products by limiting competing imports.

Companies that set up overseas manufacturing plants are "exporting jobs and technology," goes the cry.

It's not all that simple, says Goodyear International President Pilliod. When a foreign market becomes big enough to support a manufacturing unit, rather than just a sales outlet, the host country insists on having a production facility, he points out.

"If it's not us, then it would be someone else," he says. "Then there would be neither exports to that country, nor any earnings there. We'd lose all that."

Passage of the Burke-Hartke bill, Mr. Pilliod says, would be "the beginning of the withdrawal of the United States from world trade."

Provisions of the bill for taxing U.S. firms' foreign earnings which have not been brought back to this country as dividends, he notes, are like requiring an individual stockholder to pay taxes on dividends he hasn't yet received.

"You couldn't stand that kind of an arrangement," he adds.

Mr. Pilliod has been at the head of a Goodyear in-plant move to acquaint both its managers and its workers with the implications of the Burke-Hartke bill.

"We were among the first to recognize the danger and felt we ought to get started," he recalled. "We moved quickly to get our own story together so our own executives and employees would know the facts."

A corporate committee was formed and drew on top people in personnel, finance, planning, law and public relations in both the domestic and international companies.

A fact book was developed as the main source of information for presentations to members of Congress, union representatives, employees and, in the words of the company, "others whose understanding and/or support are essential to our cause."

Among other things, the fact book deals with claims being made by supporters of the Burke-Hartke bill. An example:

"Claim: By building plants abroad to supply foreign markets, multinational companies reduce U.S. exports and jobs.

"Facts: In almost every Goodyear foreign plant location, the company had no choice but to build a plant to hold the market in the face of existing or proposed manufacturers in that country. Exporting from the U.S. to that market was not a real alternative. Wage differentials, tariffs, other import restrictions and transportation costs made it impossible for U.S.

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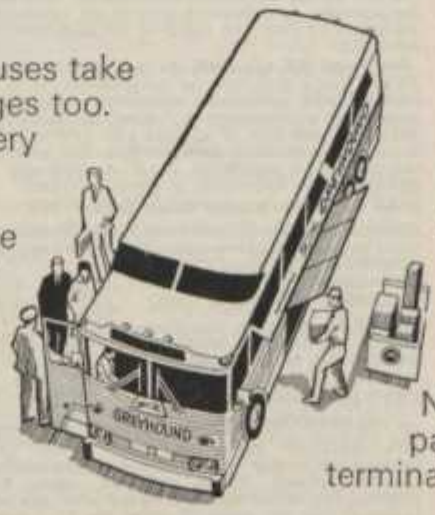
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New Peril for the Multinational Corporation *continued*

manufactured products to compete.

"Plants abroad increase Goodyear jobs in the U.S., producing materials used in Goodyear's foreign plants; making machinery shipped to those foreign plants; and providing technical and management support of foreign operations. None of these U.S. jobs would exist if Goodyear were totally shut out of foreign markets. . . .

"About one fourth of total U.S. exports are to foreign affiliates representing sales that could have gone to foreign competitors.

"In summary, building plants abroad does not reduce U.S. jobs but increases them by providing otherwise unavailable outlets for U.S. exports of materials, machinery exports and technical and management supervisory jobs. Earnings brought back from abroad provide capital for expansion and growth in this country, creating more jobs here."

At Caterpillar, Mr. Morgan says that if the Burke-Hartke bill were passed, "we would find ourselves retreating into our own little world, with our relationships to other nations and our technology decreasing in scope and size. It would be a complete reversal of one of the things that made America great. It would be tantamount to a leader abdicating his position."

And, he adds, there would be no dearth of candidates to fill the worldwide economic role the United States had abandoned.

Mr. Morgan is concerned not only as an executive of an international corporation, but as chairman of the Multinational Enterprise Task Force of the Chamber of Commerce of the United States.

As far as his own company is concerned, he says, a prohibition on investment and transfer of technology abroad—possible under the bill—"would have the inevitable consequence of the unemployment of one out of three workers now employed in the United States."

Since Caterpillar set up its first plant in Great Britain in 1950, he points out, its exports to that country have gone up 15 times. For Brazil, the increase is five times; for Australia, six times; for France, four times.

"This, to me, is a very powerful and convincing point that people have overlooked or tended to ignore," he says.

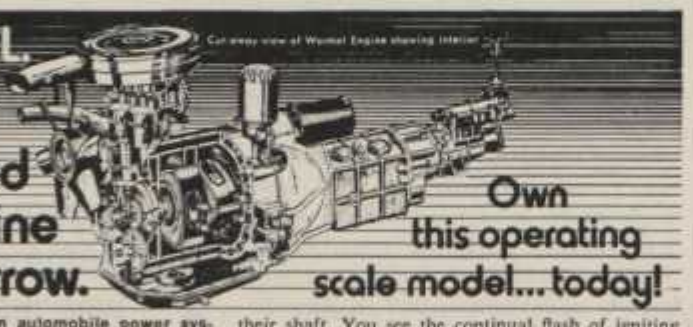
He also says that the "quickest and most gut-level impact of the Burke-Hartke bill would be on the individual because of the inevitable rise in prices that would follow."

Along with his fellow executives, he is quick to agree that some industries have special problems as emerging countries move from an essentially agrarian, primitive economy toward a labor-intensive industrial economy.

"If we do the decent thing and let them have reasonable access to our markets," he continues, "our own labor-intensive industries cannot continue to pay wages justified only by a capital-intensive system."

All three executives note that the discussion in behalf of the Burke-

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Charles Pilliod Jr., president of Goodyear International, is among the leaders of business efforts to point up the significant contributions that U.S. companies operating overseas make to the domestic economy.

Hartke bill touches not at all on the extent to which American goods have been priced out of world markets by labor costs, domestic work practices that cut into productivity and government regulations that hamper business.

Eaton Chairman de Windt expresses concern that an apparent surge of protectionist sentiment in this country would obscure those basic problems.

"Protectionism never got us anywhere before except in trouble," he states.

Facing up to unit costs

The problem to be solved, he says, is one of unit costs of American goods compared with those that are made overseas.

"Until management, labor and government get together and face up to it, the problem is going to continue," he adds. "Sometimes we forget that we are all working toward the same goal."

In other nations, he notes, the government often works with all members of an industry to determine what course would best serve the national interest.

"In this country we still have antitrust laws passed to meet conditions of 60 years ago," Mr. de Windt says. "If a couple of sick companies try to get together to try to survive, the government tells them they can't do it.

"There has to be an awakening in America to the fact that we are not smarter than everybody else. Any number of countries have the capability to compete with us in many areas, countries that haven't lost the idea of personal pride in achievement, or lost enthusiasm and desire for it."

Passage of restrictive legislation along the Burke-Hartke lines would be "a disaster," Mr. de Windt says.

Not only would this country lose income it derives from expanding overseas trade, he adds, but retaliation by other countries against quotas on their goods could lead to international tensions.

World War II, he notes, followed a long period of protectionism here and abroad that brought high tariff walls and other barriers to international trade.

To press his point, Mr. de Windt paraphrases an earlier American with a multinational outlook, Benjamin Franklin, who once commented: "No country was ever ruined by trade."

Says Mr. de Windt: "No world was ever ruined by trade."

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LESSONS
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LEADERSHIP
PART LXXXI

Bob Hope

Thanks for the memories

It was 112 degrees in the shade at Carefree, Ariz.

A hot, afternoon sun beat down on the arid desert, rimmed by such mountains as rocky Camelback.

And there he sat, under a makeshift canvas shelter, cool as a cucumber, cracking jokes.

"It's so hot," he said, "I saw a rattlesnake waving a white flag. And a Gila monster knocked on my door and tried to borrow an ice cube."

It was Bob Hope, on location for his latest movie, "Cancel My Reservation." The film was being shot where the script set it, in sunny Arizona.

A few months later, Carefree would be one of the nation's choicest winter resorts. That day it was an oven.

About 4:30, when the day's shooting was over, Bob drove back to his bungalow at Carefree Inn for a network TV taping. Then, off to a screening room to view the day's rushes.

After that, dinner followed by a long interview. It was 10:30 p.m. when he called it a day—one that began about 7:30 a.m. when he, Eva Marie Saint, Keenan Wynn, Anne Archer and the production crew arrived on location.

Bob Hope has been setting a breakneck pace like this for years. "If you had the chance," he was once asked, "would you live the same life all over again?"

"He wouldn't have time," a friend quipped.

Leslie Townes (Bob) Hope is less entertainer than entrepreneur.

True, his main business is show business. But he approaches it like a good vice president of sales approaches a market.

His product is himself, carefully tailored to satisfy the market's demands. For example, he began as a buck-and-wing, soft-shoe dancer. But he quickly sensed that the real demand was for comedy. He became a wisecracking, highly successful stand-up comic and m.c.

Hard work and talent made him a headliner in vaudeville, a star on Broadway, a top box-office draw in Hollywood, a famous personality on radio and one of the luminaries of TV.

Bob Hope, Inc., as one friend affectionately dubs him, is big business. His payroll for writers alone approaches $500,000 a year.

Like most successful managers, he is able to select and motivate top-flight associates. Some have been with him 20 years—and more.

He is also a shrewd investor who has ploughed his earnings into highly diversified holdings in land, oil and radio. He once owned 10 per cent of the Los Angeles Rams. He still has a minority interest in the Cleveland Indians.

Beverly Hills banker Fred Levy Jr., a long-time business associate and friend, says: "His real forte is real estate. I think he knows as much about it as anyone in the business. He has a keen sense of values, and the guts to hold on to it."

He has become not only wealthy and famous—but a friend of the famous and honored. He's as much at home at the White House as at Hollywood and Vine.

He has earned respect by his work off the stage—as well as on it. No one in show business has done more benefits or given more of himself to aid worthwhile causes.

He wears his heart on his sleeve.

The boy in uniform—lonely in a distant land or homesick in a Stateside barracks—has always touched him deeply.

Since May, 1941, when he played his first camp show at March Field, Calif., he has entertained at least 10 million GI's at home and abroad.

Congress conferred on him, unanimously, the Congressional Gold Medal—for his tireless effort to entertain U. S. fighting men abroad. When President John F. Kennedy pinned it on him, he called him "America's most prized ambassador of goodwill."

Here, in an interview with a NATION'S BUSINESS editor, he tells how he climbed to the top.

Where were you born?

At Eltham, a suburb of London, in 1903.

Whom were you named after?

I don't know. Townes is my middle name and that was my mother's

Bob Hope *continued*

name. But I don't think there were any other Leslies in the family. At least, they haven't written home for money.

You grew up in Cleveland. Why did your family move there?

When I was four, my uncle moved there from England and found he liked the United States. He wrote my father and said: "You ought to try this because it is pretty great. It looks like the coming thing."

My Dad came over first. He was a stonemason. He helped build the Euclid Avenue Presbyterian Church. We were Episcopalians, but he was so proud of his church we switched to Presbyterian. And we lived right down the street.

With a name like Leslie, didn't you learn to get pretty handy with your dukes?

Yes, I did, because the kids used to call me Hopeless. They'd say: "Hey, Les Hope, Les Hope. Hey, Hopeless." And I used to chase 'em for miles.

In fact, I turned amateur boxer for a while.

How did you do at that?

Not too well. I used to back up so much, I was the only fighter in Cleveland with a rear-view mirror.

Did you live in a pretty classy neighborhood?

No, it was sort of average.

So you weren't born with a silver spoon in your mouth?

No, I was born with a seven iron in my mouth.

Where did you hang around as a kid?

We used to bum around the Alhambra Pool Parlor a lot. I got pretty good at billiards.

Any other hobbies?

My buddy, Whitey Jennings, and I used to run in the races at picnics around Cleveland. That was quite a thing. They used to have all kinds of these picnics—the butchers' picnic, the Welsh picnic—at Luna Park and Euclid Beach. Whitey and I could run like hell, and we used to go to these picnics and win the prize money.



Singer Teresa Graves and Bob Hope entertain troops at an Air Force base in Thailand. He flies 100,000 miles in the course of a year, spending so much time aloft that, he quips, "I get sick on the ground."

Sometimes, we'd make a couple of picnics the same day. If there was a conflict, we'd call up and say: "What time are your races?" And they'd say: "Well, they're at 2." Then we'd say: "Well, this is the *Plain Dealer*. We'd like to send a photographer out. Could you hold them at 3?"

And of course, they'd say: "Sure." That way, we could line up two or three races the same day.

Any other enterprises?

I did a lot of things to get my hands on a buck. I came from a big family and we were expected to earn our pocket money. I was a delivery boy for a bakery, a soda jerk, a shoe salesman and a stock boy. And I picked and cleaned chickens for my brother Fred's butcher shop.

When did you decide you'd like to go into show business?

When I found out you didn't have to get up early in the morning.

Was that at an early age?

Yes. When I was 9 or 10, I was doing imitations of Charlie Chaplin. But I didn't really take the stage seriously until a friend of mine went to dancing school. Then I started, and we became a team. Once we got the greasepaint on, the ham came out. From then on, there was no stopping.

When I found out the big money was in comedy, I started telling jokes.

When did you hit vaudeville's big time?

In 1929. Keith-Orpheum signed me up for three years. I played the Palace that year, and they had a big banner outside: "Beatrice Lillie and Bob Hope." Inside, they said, "The Midwest Sensation—Bob Hope," because I started my act in Chicago. So Jerry Wald wrote a review for the *New York Graphic*, and his headline read: "Midwest Sensation—Why Did He Come East?" He thought he had to take a chop at me. He

wanted to give me a little needle. But he became one of my great friends. And I used to turn to him and say: "Hey, Midwest Sensation, huh?"

Didn't you have a tough time breaking in as a comedian in Chicago?

Yeah, and I had just changed my name from Leslie to Bob. I wanted a chummier, more friendly name. I figured the audience might like me better, and it sounded like more of a regular fellow.

But it didn't help. Nobody cared anyway. So I sat around in Chicago for two or three months, starving. I owed about $500 just for coffee and doughnuts.

I finally decided I was going to go back home, get my laundry done, eat a few meals, and try again.

Just as I was at my lowest, I ran into a friend who invited me to see this booking agent, Charley Hogan. Hogan said: "Would you like to play the West Englewood Theater?" because this friend of mine said I was a pretty good m.c.

I said: "Yes." He said: "Would $25 be all right?" I had been making $10 a night—when I could get it. I gulped and said: "Yes, that would be all right."

From there, he booked me into the Stratford. I stayed there six months, and went up to $300 a week. That was big, then. It was like having a job in the Mint with toting privileges. When I left there, everyone around there knew me. It was a springboard into the big time. So I never stopped from the time I met Hogan. Just went on and on.

He died about a year ago. He was one of my dear friends. He still booked me, you know. His wife books me now.

What has been your biggest thrill in show business?

In 1939, I was filming "The Cat and the Canary" with Paulette Goddard. She was Charlie Chaplin's wife, and every night he watched the rushes.

I went out to Santa Anita one Saturday, and he was in the Turf Club and I met him for the first time. First I've got to tell you that in 1927 I stood outside the 44th St. Theater in Cleveland, in a doorway, for an hour and a half just to see him get in his car.

Now, 12 years later, I'm working with his wife and he's watching me every night on film.

Then when I meet him at the racetrack, he says to me: "You are one of the greatest timers of comedy I have ever seen."

It was one of the high spots of my life to have this guy, you know, that I had imitated as a kid, say that to me. Because, my God, this fellow who was my idol was a comedy genius.

What has been your darkest hour in show business?

Well, I have had a lot of dark hours.

I think one of the darkest was when my brother, Ivor, was sales manager for Cyanide Metal Co. in Cleveland. He invited me out to the opening of their new factory, and he told everybody I was a star in vaudeville. I went out there about 8:30 p.m. and the guys who worked there had been drinking beer all day. They were loaded.

Ivor put me up on the stage. And he forgot to tell me that the factory was soundproofed. So I got up and did my act—without a microphone. And it was a pretty good act; I was getting $1,350 a week for it.

But these guys just stood and looked at me. They were all loaded—and they couldn't hear a word. After a while, they got tired of looking at me. I laid the biggest bomb in years.

What has been your worst business decision?

Not seeing the real potential of radio—right off.

Did you get into radio by accident, or on purpose?

I got into it on purpose, all right. But I sloughed it for many, many years. Because in 1930, this fellow with "RKO Theater of the Air" used to say: "Hey, would you do our show?" But I thought: "Oh, that medium. Why bother with that?"—not knowing what it meant and how strong it was.

Then I started doing the Rudy Vallee show, and I caught on pretty fast. In 1938, I got on the Pepsodent show, which really went big. I stayed on it about 12, 14 years. That was the cruncher.

Wasn't it radio that first made you a national figure?

Yes.

What made you realize it had made you a household word?

In 1940, we were asked to play some personal appearance dates. We opened in the Chicago Theater and we were mobbed. People were lined up around the block, standing in the rain, waiting to get in. "We haven't done business like this for years," the stage manager said. "We broke the house record."

When I saw what was happening, I called my agent, Louis Shurr, in New York City. I said: "Louie, do you want to come here and take a look at something?" He said: "Should I?" I said: "Well, if you don't I can get the Morris Agency"—one of his competitors—"to do it." He said: "I'll be right there." And he flew right out.

I said: "Look at this business. I want you to go back and tell the Paramount Studio"—where I had a contract—"that we want a little more money, about $50,000 a picture." Which he did.

Then we went to the Palace Theater in Cleveland, where we broke the record again. And my older brother, Ivor, just couldn't believe I made anything. Even after I was on radio. But at the Palace, he was standing backstage, when the manager brought me the check for that one week's appearance—$23,000. He put it in my hand. I just passed it to Ivor.

He looked at it and said: "I just don't believe it." But he believed it, because he started borrowing money from me right away.

When did you sign your first movie contract and for how much?

In 1937; I did my first feature movie, "The Big Broadcast of 1938," for $20,000.

What has been your best business decision?

When I got Sam Goldwyn to pay me $100,000 a picture.

He wanted to borrow me in 1940,

and he wanted to give me $50,000 a picture. That's what I was getting from Paramount at the time. We said No.

So I went down to Ft. Worth with Gary Cooper to the premiere of a movie he had done, "The Westerner." I was master of ceremonies and did four shows. Sam was there, watched me for three shows, and fell in love with me, obviously. Because during the fourth show, he got up on the stage and said: "I want to make an announcement. I haven't made a comedy since Eddie Cantor left me. But after watching Mr. Hope, I'm going to make a comedy with him."

And everybody applauded.

But I ran out and grabbed the microphone and said: "Wait a minute, Sam. Let's talk money."

"Later," he whispered.

"No," I said, "let's lie down here right in front of all these witnesses and talk money." And you know what a kid he was, he got right down flat on the stage with me, and the people were hysterical.

Anyway, after that he said: "Yes, I'll pay him the $100,000."

How did you start entertaining troops overseas?

In March, 1941, we were invited to do our Pepsodent show at March Field, Calif. And it was so exciting, the audience and everything, that we never stopped for about five years. We went overseas six times during World War II.

Didn't you spend a quiet evening with Ike at Algiers?

Yes, in 1943. I was with a USO troupe. We'd been to Bizerte and Palermo, where we were scared to death by a series of air raids. When we got to Algiers, we met Gen. Eisenhower at his headquarters there.

He said: "Sit down and tell me what's happened to you."

We told him, and he said: "You're lucky. You can get a good night's rest here. We haven't been bombed for a month and a half. We're too strong here."

After the show, we went back to the hotel. About 4 a.m. the air raid sirens blasted off. We rushed down to the cellar, and then all hell broke loose. German bombers poured in, trying to sink our ships in the harbor. And all our guns were banging away, antiaircraft, 90-millimeter. The racket was unbelievable.

The next day I sent Ike a message thanking him for that good night's rest.

You must have some indelible memories of those overseas trips.

Yes, I do. You know the greatest kick is going into a hospital and trying to cheer these kids up. I remember going into Tokyo General and I went up to this boy who had a broken back.

I said: "How are you? I've got a little tape recorder here. Would you like to give me a message? When I get back to the States I'll call your folks."

And he just looked at me.

And I said: "You know, I can call them."

And he just looked at me.

The doctor saw me and said: "I'm afraid it's impossible. He's very depressed. He hasn't smiled since he came in here." So I walked around the ward, and when I got to the other side, a nurse came up and said: "That boy wants to talk to you."

I went back to him and he said: "Would you really do that?"

"Yes," I said. "Sure, where are they?" And he gave me his name and his family's telephone number. I took a lot of numbers and when I got back, I would call and say: "This is Bob Hope."

And they'd say: "Bob what?"

"This is Bob Hope."

"Bob Hope! Are you kidding me?"

"No, I was just talking to your son."

"Oh, really. Hey, Mom, it's Bob Hope!"

"Yes, and he's O.K.; he's going to be all right."

Now about Christmas, about 10 months later, I was at the Long Beach veterans' hospital doing a show. And a guy came up and said: "Do you know who's here?"

I said: "Who's here?"

And just then I heard a guy yell: "Hope!"

And he came tearing down in his wheelchair, the boy from Tokyo General, sitting up, you know, the greatest guy you ever saw. And that's the payoff for the whole thing. It just rocks you, you know.



At age six, young Leslie Townes Hope poses in a photographer's studio in Cleveland, his home town. He changed his name to Bob to strike a friendlier, more chummy note.

Did you see Ike after the war?

Yes, I did a show for him, after he was President, in Washington, at the Statler. And that night he was sick. He had something wrong with his stomach and they rushed him to the hospital.

So the next day I called him. I said: "I didn't know my jokes were that hard to digest." He got a helluva kick out of it.

But I never stopped telling him jokes. Before he died, I visited him at Walter Reed.

I was with him about 15 minutes, and he looked great.

Then I went outside and had a drink with Mamie. She said: "You'd better go say goodbye to the boss before you go."

I walked in and said: "Did you hear about the golfer who came to the clubhouse and says: 'I'm the lousiest



Grandson Zachary and wife, Dolores, greet Bob Hope on his return from his customary Christmas visit to American soldiers overseas. This year, he also tried to journey to Hanoi in an effort to persuade the North Vietnamese authorities to release captured American fighting men, now languishing in communist prisoner of war camps.

golfer in the world.' And the other guy says: 'No, I am.'

"The first golfer says: 'Why don't we match cards? What did you have on the first hole?' The other guy says: 'I had an X.'

"And the first golfer says: 'You're one up.'"

Ike almost fell out of bed, he laughed so hard. He loved jokes, and I always saved them for him.

Of course, I have many jokes about him. When he stopped playing golf and took up painting, I said: "He likes that. It takes a lot fewer strokes."

Have you ever played golf with President Nixon?

Yes, we played at Woodmont in Washington. And I played with him about a year ago out here. He flew over to my house from San Clemente. He came in one of his helicopters. All the neighbors thought Chicken Delight was making a delivery. He landed in my backyard and we went over and played with Jimmy Stewart and Fred MacMurray and had a ball.

Then he invited Arnold Palmer and me down to San Clemente last January, right after Palmer played in the Los Angeles Open—and we had a lot of fun.

Any funny stories about that?

Well, one funny thing. We were talking about Viet Nam, and he was telling Kissinger at the table: "You know, what we have to get are those low-flying planes, like the B-26's."

And Palmer said: "I know where they are. I see them in Tucson. I fly in there all the time and they have loads of them."

And President Nixon said to Kissinger: "You'd better look those up now."

Then he turned to Palmer and said: "Are you sure they're there?"

And I said: "Mr. President, I'm sure. Because he owns 'em."

I guess you have known Presidents since, well, FDR?

Well, Crosby says since Lincoln, but actually since FDR. I got to know him quite well because I did a White House Correspondents' dinner for him. I said at the time: "I apologize for some of the things I've said about you on radio. Like when you and Mr. Churchill were conferring on war strategy—meaning where and when we'll attack the enemy and how will we keep Eleanor out of the crossfire."

And I told him a few jokes. I said Fala was the only dog housebroken on the *Chicago Tribune*. I got to know him and visited him quite a bit. He loved stories. He was a great storyteller himself.

Didn't you know President Truman?

Yes. Just after he was elected, I did a show for the radio correspondents at the Statler. And the White House called me and said: "The President would like you to come to dinner tonight."

I said: "I can't do that, because I'm here with Frances Langford and Jerry Colonna and Vera Vague"—I couldn't go alone and didn't want to force all of us on him—"so tell him I'll come over after dinner and we'll do a little show." Which we did.

I walked into the Gold Room and said: "Hey, this looks like Independence Hall already." He is some man, I tell you. That is a real American, that guy. He tells it like it is, Mr. Truman. Fears nobody.

We did so many jokes about his piano playing. After he left the White House, Jack Benny did a benefit in Kansas City and Mr. Truman played the piano on Jack's program. So I sent him a wire. I said: "Now that you have broken into the business, would you like to try the big time?"

How about John F. Kennedy?

He had a great sense of humor. When I used to go to Washington, and he would find out I was there, Pierre Salinger would come and say: "The boss would like to see you." So I would go down and talk to him for 15 or 20 minutes, and tell a couple of jokes.

And LBJ?

Sure, I knew him when he was a

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Lessons of Leadership: Bob Hope *continued*

Senator, then Vice President, and President.

Was he a golfer?

No, he was a barbecue man.

You have seen a lot of the rest of the world. Do you think Americans are getting a little too soft to compete with it?

I think we have been. I think we've been generous to a fault. We have sent our Secretaries of State around the world with a bag full of money, just throwing it around like it was grass seed.

This is why I kind of like this move the President has made. I think it is time we did think of America and Americans.

Do you believe we still have those qualities that made America great?

Yes, but I think that in the past five years, with our bungling, and not using our power for peace, we have looked like an impotent giant.

I think if Mr. Kennedy had lived, this war would have been over three years ago, because he recognized the enemy and proved it by the blockade of Cuba.

I am sure he would have walked in there and put them in the duck press —you know, by closing the harbor and not worrying about world opinion. World opinion turned against us anyway for the way we handled the war.

Everyone respects strength if you use it in the right way.

Fortunately we now have a man with great experience and courage and the talent to handle all the problems today, a man who is winding down the war and is also working out the kind of a peace that we hope will be long-playing. Not an easy task with all the critics nibbling at his heels.

Many entertainers spend fortunes, just as fast as they make them. How come you haven't?

I probably would have, but when I started to make money, I ran into an insurance man in New York called Al Lloyd, who was with New York Life Insurance. He came backstage to the Albee Theater in Brooklyn and said: "Give me $238." I said: "What for?" He said: "I want to start an annuity for you."

I was making a pretty good sum at the time. So I gave it to him, and I got into the habit of saving because he kind of dunned me for it.

And whenever I would go on the road, I would have to send that chunk into this annuity.

By the time I got to Hollywood, in 1937, I had $100,000, which was a lot of money then.

And I lived very well. I had my Pierce Arrow—low job, you know, with the headlights in the fenders. I used to have to beat them off the runningboards.

Do you produce your own movies and TV shows?

Some. NAHO Enterprises—that's National Broadcasting Co. and Bob Hope—is producing this movie. We've had NAHO going for quite a while.

Do you have any other business interests?

I have Hope Enterprises, Inc. It produces my TV show, and handles some other activities like personal appearances. Then I have some oil, radio and real estate holdings and a small interest in the Cleveland Indians.

How do you find time to mind the store?

It's not easy, but I do it.

How do you manage people?

I try to pick the very best, pay them well and give them leeway. I let them get the facts, and then I like to make the decisions.

Why do you work so hard?

I don't think I do. You caught me on a busy day. But it's not hard work when you enjoy it. END

REPRINTS *of "Lessons of Leadership: Part LXXXI—Bob Hope" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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One More Good Idea and You'll Go Broke?

There may be danger, these knowledgeable men agree, in too readily accepting brainstorms—but there's stormier weather ahead if your company produces no ideas at all

DRAWING: CHARLES A. DUNN



Brainstorm, good or bad?

"More money is lost on badly researched ideas than possibly any other phase of business," says Martin Stone, board chairman of Monogram Industries, Inc. "At the same time, many valuable opportunities are lost because of management's unwillingness to take an appropriate gamble, or the discouraging of a free flow of ideas."

How can you avoid rash decisions on the one hand and keep idea men fertile on the other?

The best way to keep an idea under control, says Mr. Stone, whose diversified Los Angeles-based firm deals with them in many areas, "is to make sure to challenge it from as many directions as possible before permitting anybody to move forward on it."

This is especially important for those caught up in the excitement of a new idea, notes Elmer Winter, president of Milwaukee-based Manpower, Inc. The idea's creator, Mr. Winter believes, should discuss its positive and negative aspects with all people who are affected by it.

Particularly in product development, with its high degree of casualties, testing new ideas across departmental lines will give you a more realistic assessment. Leonard J. Smith, a former executive with Lightolier Inc., of Jersey City, N.J., and today executive director of Training Services, Inc., in Rutherford, N.J., cites this philosophy as a major key to the lighting company's success.

"Ideas are bounced off sales, accounting, manufacturing and other managers in addition to design people," he says. "You get objective assessment and commitment at the same time."

A time to be doubly cautious about new product ideas is when the scent of a success in marketing is still sweet in your nostrils. The tendency then is to go overboard on ideas that are even remotely promising, in the hope of a second coup.



Get outside help



Dare to be different

One way to defuse such bombs is being coldly objective about your true market and profit potential. That and fully understanding the cost and risk factors involved. So cautions Victor Wouk, president, Petro-Electric Motors Ltd., of New York. You then must decide: Is the potential worth the risk?

Mr. Wouk, as creative in his own right as is his novelist brother Herman ("The Caine Mutiny," "The Winds of War," etc.), admittedly gets bigger kicks from his inventions than from making money, though he appears to do well at both. Face the decision realistically and you won't get hurt, he advises.

"More than once," he says, "I've wound up telling myself, 'It's been great fun, Vic, but really, it's not going to sell. Forget it.' "

It's tough to face reality at times, especially if the idea man happens to be the boss himself.

At other times, notes Mr. Wouk, you run into the situation where an aide is the idea man and the chief harbors reservations about him. ("His suggestions are usually lousy.") This points up the value of bringing in outside experts to evaluate product ideas—one way to get a truly objective opinion.

John Sargent, a vice president with the New York-based management consulting firm of Cresap, McCormick and Paget Inc., stresses the importance of an efficient, well established procedure for screening and evaluating ideas.

He describes a company president who "fiddled around with a product improvement till hell wouldn't have it," only to watch a competitor cash in on it.

Rigidity, says Mr. Sargent, is idea crippler No. 1. Sure, you have to set objectives, define criteria, make reasonable constraints known. But too much analysis and too many restraints can dry up the idea flow.

Donald Schoen, another official at Mr. Sargent's firm, echoes his sentiment.

"A management attitude that insists on preplanning everything to the fifth decimal place militates against idea generation," he says. "If you attempt to reduce everything to the size of a gnat's eyebrow the results will be disappointing."

He recalls one situation where an exciting plan at a medium-sized company was almost ruined. It involved a $50,000 risk—substantial for the firm. But the innovation was much needed to pull the corporation out of the status quo doldrums. The treasurer went all-out to persuade the president to veto the program.

"He came uncomfortably close to succeeding," says Mr. Schoen. "It didn't tie into his rulebook projections. What's more, it was a radical departure."

Training Services' Leonard Smith finds it important to wage battle with myopic treasurer types who, as he puts it, possess "tunnel vision."

Executives interviewed agree that no matter how improbable a proposed idea sounds, your reaction should be positive and encouraging.

"I never sneer at an idea," says Monogram's Mr. Stone, "however absurd it may first appear."

Adds Mr. Winter, of Manpower, Inc.: "No subordinate should ever be embarrassed or criticized for a suggestion. He should be complimented for creativity."

Edward J. Feeney, vice president of systems performance at Emery Air Freight Corp., of Wilton, Conn., calls this "positive reinforcement." He cautions against inadvertently "punishing" the idea man by ignoring suggestions or by instantly disapproving them. ("Sounds expensive," "We tried this before"). Instead, Mr. Feeney advises frequent rewards.

Money helps, but it's only a piece of the pie. Credit and recognition can pack tremendous power. "Whether the idea's good or not," says Mr. Feeney, "you can still reward the behavior."

And dud or not, if you want the idea flow perpetu-

One More Good Idea and You'll Go Broke? *continued*



Beware of committee shelf age


Rule book blockage

ated, fast feedback is essential. "Nothing so frustrates an idea man," says Victor Wouk, "as not being shown why his idea isn't pursued. I haven't met an idea man yet who refused to accept an honest evaluation."

Where the verdict is negative, says Leonard Smith, your best bet is to get the suggester to reach this conclusion himself if you can. To achieve this, he favors the probe technique.

"The idea," Mr. Smith says, "is to ask the kind of questions that force depth thinking. Often they're the questions you'd ask yourself in evaluating the idea. Posing them to the idea man makes him do his own evaluation. It saves your valuable time and encourages a higher level of thought on his part without turning him off."

In one recent case an aide came to Mr. Smith with a direct mail idea to lure new training workshop and seminar prospects. He praised the man for his thinking, expressed interest in the proposal, and started firing questions about cost and potential return.

The man returned next day to inform Mr. Smith he didn't think the program would justify the investment.

How can you keep a good idea from gathering dust on the shelf?

One notorious shelf can be the management committee. "I keep ideas from getting bogged down 'in committee,'" says Monogram's Mr. Stone, "by not having committees." Mr. Winter feels much the same way. "Nothing will keep an idea alive like the person who suggested it to begin with," he says. If you give an idea's creator a chance to prove himself through developing the idea, Mr. Winter has found, a good idea rarely gets bogged down.

If a committee must be brought in, says Mr. Feeney, spell out an action plan, set a decision date, and establish follow-up between meetings.

Another deadly idea quasher is the credit hog who wants the boss to think it was *his* idea, not his lieutenant's. It may not be easy, but there are steps you can take to keep this bird in line.

"A manager should have the chance to talk with his boss' boss from time to time," says Mr. Schoen.

Mr. Smith stresses the importance of bestowing recognition on a group, rather than purely individual, basis.

Where subordinates fail to produce ideas, he says, it should be a mark against the boss, and the president should want to know why. He calls to mind one suspected credit-grabber who was given a tough assignment away from the home base and staff support. Sweating out the task on his own, he gained new insights into the value of team assistance. And he read the president's unwritten message.

"A most precious corporate asset," muses John Sargent, "is the spirited entrepreneur type. Corporations desperately need non-organization men. They should be humored and indulged. If the maverick is brilliant, he'll be worth 50 times what you spend on him."

As Elmer Winter sees it, the biggest pitfall to creativity is the fear some people have about changing the status quo.

"One more good idea and I'll go broke."

There could be some validity to the contention and it bespeaks a need for caution. But far more perilous is the contrasting possibility. Stick to the status quo with a dearth of good ideas, and you will surely go broke.

—RAYMOND DREYFACK

REPRINTS *of "One More Good Idea and You'll Go Broke?" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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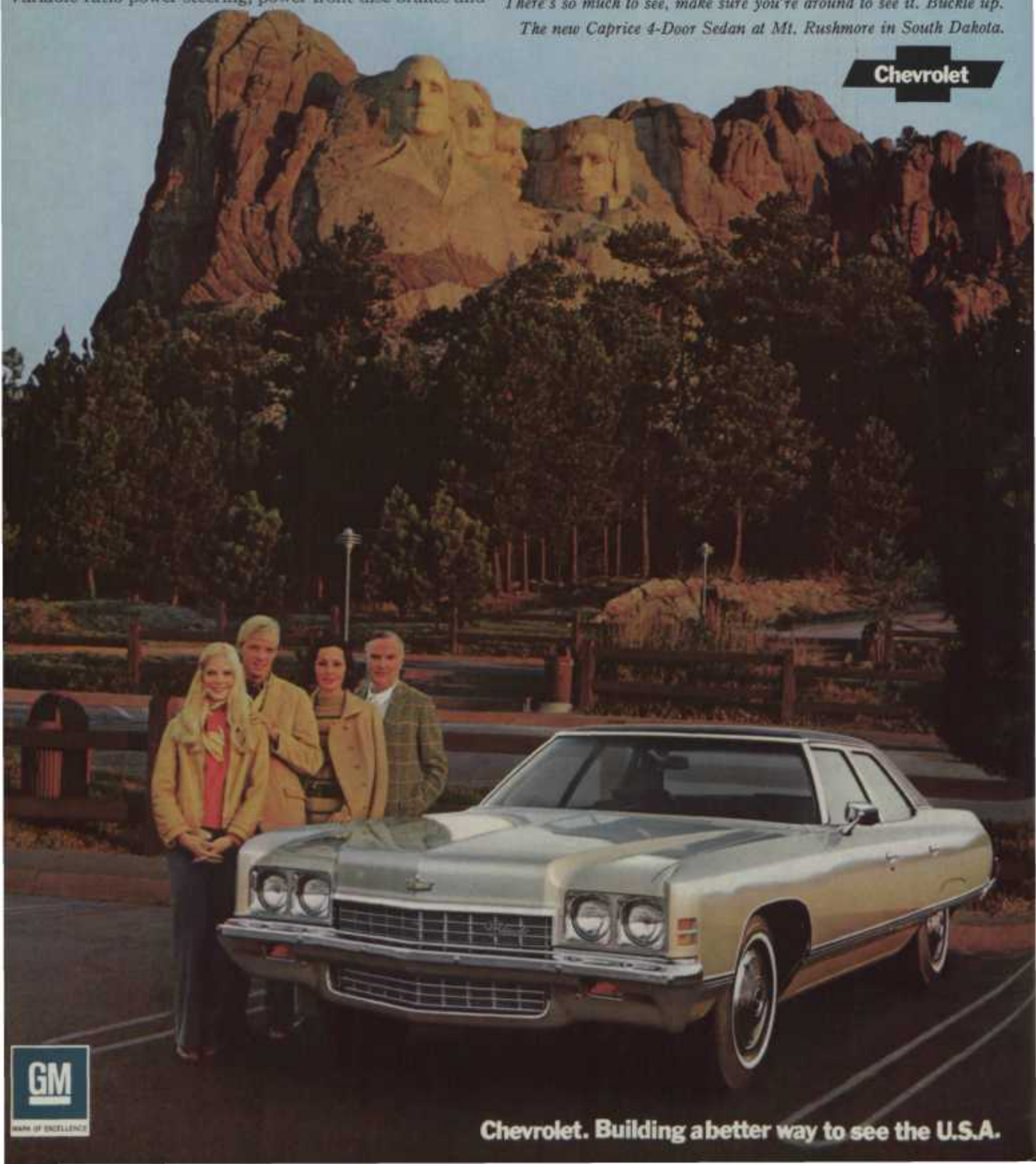
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Get Smart: Be Naïve



DRAWING: JACK LEFKOWITZ

When one of the country's largest retail bookstores acquired a new president, the appointment startled some of its executives. He came from an oil company and had absolutely no experience in the book field.

You probably know, as these bookstore executives did not, that it is not necessary to have experience in a particular business to function effectively as one of its top managers: One can be a babe in the woods in the book field—or in the oil business for that matter—and still rate high as an over-all administrator or as a financial officer, marketer or other executive specialist.

"O. K.," the doubters say, "if that's true, how come all the lip service the business world pays to the importance of experience?"

The answer is simple. In a world that is changing as rapidly as ours is, experience can become a handicap. After all, experience is a knowledge of how things used to be. But in this day of technological and cultural revolution, the very foundations of business practice are changing.

We have, for example:

- New types of employees bringing unprecedented attitudes, values and problems to the work scene.
- Speedup of the time cycle. The businessman has less time to plan and to bring his plans to fruition.

Consider the advantage a company used to have in marketing a new product. It was not unusual for an innovating company to attain exclusive dominance of a market for several years, before competition moved in. Now a few months may be the best that can be hoped for.

Just think of the toothpaste manufacturers and their fluoride-whitener competition, or the makers of enzyme presoak home laundry products, stainless steel razor blades or other new products.

If experience is no longer the best teacher, or the best guide for decision-making and problem-solving, what can be substituted? The answer is, naïveté—of a kind.

AUREN URIS, *author of this article, is with The Research Institute of America, Inc.*

Consider the example of William H. Shames, president of Sibany Manufacturing Corp., a new-product development organization. He says:

"When we talk to a new company to sell our development services we always emphasize our lack of experience in their field. Because of this we are not victimized by all the things that can't be done.

"We have not gone down all the wrong roads they have, and suffered their failures and frustrations.

"We are very unsophisticated in the fields in which we have done some of our best inventing."

The voice of inexperience

Can naïveté be a satisfactory substitute for experience? Yes, if we define what we mean by it.

The kind of naïveté we are not talking about is that which disregards the realities of a situation. This type operates by whim and essentially has a "don't give a damn" feeling.

What we advocate here is naïveté in the psychological sense—which means "unconditioned," without preconceived ideas.

Among our fairy tales, a repository of some of our greatest wisdom, is a story that perfectly illustrates the kind of naïveté recommended to today's business executive. It's the tale of the emperor who lets himself be swindled into buying a nonexistent robe of "great splendor." When he parades thus clad (or unclad) through the streets, his followers either have been conditioned—as the emperor has been—to see him clothed in his nonexistent garment, or are fearful to say what their eyes tell them is true.

Only a clear-eyed child, the naïve observer, pipes out in a loud voice: "The emperor has no clothes."

There are many situations in which the "voice of inexperience" can be the one that says it most clearly:

- Old problems: Clearly these have evaded the traditional skills and capabilities of experienced executives—or they would not still be around.
- Unprecedented situations: The experienced executive who is familiar with past solutions may be at a disadvantage in dealing with something

Get Smart: Be Naïve *continued*

basically new and different. At least he's in danger of making false assumptions based on his experience.

• New results needed: When "old results," no matter how acceptable they may have been, can no longer be lived with, something new must be done. Presumably it is the experienced executive who has been producing the old and no longer acceptable results. It will take the naïve person without the handicaps of tradition to break through tried and untrue methods.

• When experience has failed: Let's say your company is faced with a crisis. It has been trying to retain its share of the market with a standard line. All the traditional skills have been brought to bear on the problem. Still the monthly sales figures continue to sag. The only thing likely to change the picture is a fresh view, from an unconditioned mind that can analyze the facts objectively and come up with new answers.

• When creativity is needed: William Shames' statement of his company's approach to creating new product ideas makes the point. Innovative concepts usually are most fruitful when the originators are not limited by long experience.

How to become naïve

Can an executive with 10 or 15 years' experience in a given field get his thinking out of a rut?

Granted, it's usually easier to teach a young dog new tricks. But after all, naïveté is a state of mind. It's a way of looking at things, a kind of feeling about problems. And mental attitudes can be learned and practiced. Here are five suggestions that can improve one's naïveté:

1. Kick over the apple cart. Start off the consideration of any problem with a conscious awareness that you are going to do away with any preconceived ideas. You are going to gather the facts, assemble them and view them not on the basis of assumptions or anticipations, but dispassionately.

For example, a project team discusses a new type of can opener. The team's head says: "Let's forget everything we think we know about opening cans. What should an ideal can opener be, or have?"

Some ideas that naïve thinking produced: A can that would open itself; a device that opens a can like a pea pod along a built-in line; a seam on the can that can be unseamed; a force-fit top that will come off like the cap on an acorn.

Regardless of the virtues of any one of these ideas, notice that they're free and far-ranging, and get away from what "experience" suggests is the way to open a can.

2. Keep judgments objective. In this case you are dealing with the need to fill a number of managerial jobs. Among possible candidates in the company are an executive secretary and three other women who have had minor supervisory posts. Traditional thinking would almost automatically rule them out for these executive spots: "We have never had women in jobs like that; they can't stand up to the pressures of the job."

But one executive observes calmly: "Everything you say may be true. But can we be sure? As a matter of fact, we know that women in other companies fill top executive jobs. And further, we know the women in our company have been doing their jobs in superior fashion. In making our judgment, we're going to have to set aside some of our ideas about what women can or cannot do, and weigh the facts."

3. Avoid Yes and No; use Why. Simon Ramo, vice chairman of the board of TRW Inc., the aerospace firm, has a reputation for using the naïve query. A colleague says of him: "When you present an idea, most people will say 'fine' or 'interesting.' Simon Ramo says 'Why' and doesn't let go of you until you present the reasons why the idea would be good for the company."

Children traditionally are the whyers of our culture. By instinct they use the naïve "why" to get basic information at a time when their capacity for learning is tremendous. People who feel they know a subject —in other words, people of experience—seldom ask probing questions.

If you know, why ask?

But basic questioning, particularly of the obvious, can be amazingly productive. It can unearth hidden facts, assumptions and biases that lie at the heart of a subject.

4. Be adventurous about tests and trials. "That will never work," or "We tried that five years ago and it failed," must be banned from management vocabularies. Constructive substitutes: "Let's try it and see what happens;" or, "True, it's never worked before, but with some modifications we might very well have a different result."

And a most productive phrase: "I wonder what would happen if. . . ."

5. Concentrate on results. An executive looks up from his desk as the personnel director brings in an applicant for a secretary's job. The young women is wearing a pants suit with a big gold chain hung over her hips and has long hair flowing down past her shoulders.

"Oh, no!" the executive says to himself. His every instinct tells him the applicant will not do.

The personnel director says, "Miss Smith types 65 words a minute and her shorthand skills are quite good."

This executive may be lagging behind many of his peers in his understanding of the modern work force. He may have to accept "new types of people" in order to get the work done.

Many executives have made this hard decision and found to their surprise that behind the artificial lashes and free-flowing hair is an acceptable, bright mind and a lot of ability.

The naïve executive is likely to become the perfect executive type. His clear-sightedness promises relative freedom from an encrusted set of values and expectations. His insistence on what will work rather than what has worked, and his tendency to judge by results rather than by methods, will make him the effective man of tomorrow. END

REPRINTS *of "Get Smart: Be Naïve" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

(Advertisement)

FLORIDA: Planning for Progress



PHOTO: FRED R. ARCHIBALD III

Ever since Juan Ponce de Leon, the Spanish explorer, discovered Florida in 1513 in his quest for the legendary Fountain of Youth, it seems people have been "discovering" something new about this huge, low-lying peninsula, the southernmost of the continental United States.

It has, in modern times, become:

- A vacation wonderland. More than 20 million tourists flood into the state each year, to bask in its mild, comfortable climate, swarm on its beaches and fish or surf along its 1,350 miles of coast—580 on the Atlantic Ocean and 770 on the Gulf of Mexico; tour its natural wonders, such as the Everglades, a 5,000-square-mile national park that is now the nation's largest remaining

FLORIDA: Planning for Progress *continued*



Mobile home parks are big business in Florida. At this one, Seabird Island on the Halifax River in the booming Daytona Beach area, all 106 mobile homes are on, or within a stone's throw of, the water.

tropical wilderness; and visit its man-made wonders, such as Cypress Gardens, Monkey Jungle and the new $600-million Disney World in central Florida.

• A retirement haven. Hundreds of thousands of retired people have come to live in the state, attracted by the climate.

• An agricultural giant. The world's largest producer of citrus fruits, where oranges alone are a $250 million plus crop, the state is the nation's twelfth in the total value of its farm products, which exceed $1.2 billion annually.

• An increasingly important industrial force. With more than 8,000 manufacturing plants within the state, annually producing goods valued at over $8 billion, there have been some dramatic changes in the last decade in the economic character of Florida.

It is the forces of change that are causing a new approach for Florida's future economic development.

"You might call it 'Planning for Progress,' " says Dr. Tom Kelly, the young manager of Volusia County, which embodies the different worlds of Florida: tourism, retirement living, farming and industry.

Room to grow in

Since 1940, Florida has grown from a population of 1,897,000 to 6,789,443 in the 1970 census, from 27th to the ninth largest state in the Union. By 1980, the state Department of Commerce predicts, its population will be 9.1 million.

Meanwhile, the state's labor force has grown from 787,000 people in 1940 to 2.6 million in 1970. Eight years from now, it is expected to reach 3.5 million.

With an area of 58,560 square miles, the "Sunshine State" has plenty of room to expand its population, especially since much of its early growth was concentrated along the lower east coast, primarily in the Miami area. But there are other populous pockets: the Tampa-St. Petersburg area on

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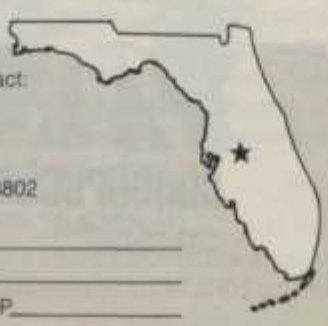
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FLORIDA: Planning for Progress *continued*

the west coast, Jacksonville in the northeast and Orlando, in central Florida. Even for most of these, there is ample leeway for growth, and in the sparsely settled interior there are no foreseeable limits.

A primary problem facing Florida in the '70s is how to expand its economic base to provide the nearly 100,000 new jobs it will need each year to meet the predicted population increase by 1980—and in a manner compatible with the state's natural magnet for growth: its quality of life.

"Selective economic growth," is one phrase used to describe the situation by officials concerned with attracting industry.

FLORIDA AGRICULTURE VALUE
(in the $1,000s)

Commodity	1961	1968	% Gain
Citrus	$341,129	$ 370,165	8.5
Vegetables	171,344	299,528	74.8
Field Crops	66,629	132,405	98.8
Forest products	8,141	4,099	—49.7
Greenhouse, Nursery	57,007	88,755	55.7
Total Crops	$644,250	$ 894,952	39.1
Dairy Prod.	$ 85,795	$ 115,138	34.2
Cattle, Calves	60,070	122,553	104.0
Poultry, Eggs	42,932	79,680	85.6
Hogs, other Livestock	16,105	19,220	19.3
Total Livestock	$204,902	$ 336,591	64.3
Florida Total	**$849,152**	**$1,231,543**	**45.0**

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"We can't stop people coming to Florida," says John C. Dabney, executive director of the Broward County Industrial Board at Ft. Lauderdale, "and we've got to provide them with jobs. This means we have to attract industry."

"It isn't just a question of providing jobs for people who are moving to Florida," adds Walter Reed, associate director of the Committee of 100 at Jacksonville. "We need to provide about 5,000 jobs a year just to hold our own with our internal

Feed your computer something palatable.

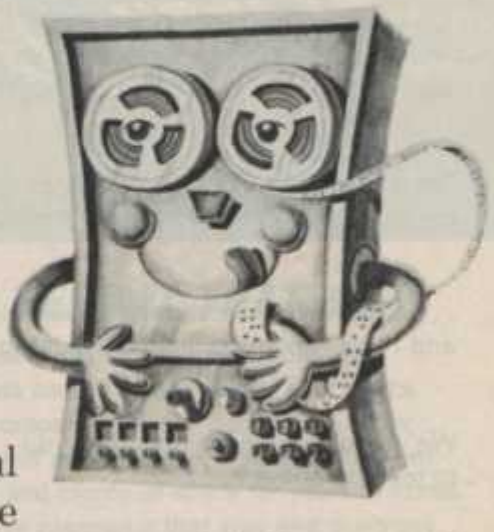
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For detailed information, write to:
Virgil Fox, C.I.D., Executive Director, Committee of 100
Jacksonville Area Chamber of Commerce
P.O. Box 329-N, Jacksonville, Florida 32201, Phone (904) 353-6161

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FLORIDA: Planning for Progress *continued*

growth—our own youngsters coming into the labor market."

"No one wants growth just for growth's sake," comments David F. Kelley, director of the Seminole County Industrial Development Authority at Sanford, "but if the people are here, you have to give them services. And you have to have industry to give you the economic backbone to pay for these services.

"What we want to do in Florida is to grow in an orderly way that is going to make it pleasant for everyone, for people living here and for industry doing business here."

A natural asset

Concern about the environment is nationwide. In Florida, the greatest natural asset of the state is its environment.

"You can reasonably marry industry and the environment," says Mr. Dabney. "One can help the other. When we talk about industry for Florida, we're talking about industry that is compatible with our way of life."

The biggest business in Florida is tourism, with over $3 billion each year coming from this source. It is the wellspring for retail trade and services that provide the two biggest sources of employment for Floridians.

"Tourism will always be Florida's biggest business," points out Paul Kitzinger, executive director of the Industrial Board of Pensacola, "but you have to have industry to give you a solid economic base that can raise your per capita income. I think you'll find that the tourist business and industry realize they must cooperate or everybody is a loser."

Industry has been moving into Florida, dramatically so in the '60s. Cape Kennedy, where the nation's space program ultimately sent man to the moon, spawned a huge industrial complex on the east coast almost at mid-state. Electronics became a big industry. But so did many others, including mobile home manufacturing, all phases of construction and light manufacturing.

Because of potential burgeoning problems centering around water

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For all the facts on economic development in the Daytona Beach Area write to:

Daytona Beach Area
Committee of 100
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Telephone 904/255-1711



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FLORIDA: Planning for Progress *continued*

supply, sewage facilities and urban expanse in general, there has been some thought about slowing industrial development in part of the state, primarily in the Dade County (Miami) area.

But a report prepared at the direction of Lt. Gov. Tom Adams by the state's Bureau of Industrial Development points out the economic challenges the state faces in the '70s and the need for selectively attracting new industries:

"Despite tremendous growth in population and aggregate affluence, there are shadows on the glitter of our growth. The distribution of the good life is uneven, both geographically and demographically.

FLORIDA MANUFACTURING
(In thousands)

Category	1958 Value Added	Rank
Food Products	321.9	1
Chemicals Prod.	233.4	2
Paper Products	151.5	3
Stone, Clay, Glass	105.9	4
Fabricated Metal	104.9	5
Printing	103.7	6
Miscellaneous Mfg.	75.3	7
Transportation Equipment	56.4	8
Electric Equipment	34.5	11
Machinery, Non-Electric	27.7	12
Apparel, Textiles	26.6	17
All Industry	1,419.0	

"The per capita personal income of Floridians is $3,525 compared to $3,687 for the United States. Only five counties have per capita incomes equal to or higher than the U.S. average.

"Over 50 per cent of all Floridians are employed in the three lowest-paying industries [retail trade, services, government].

"The goal of economic development must be to provide a better standard of living for Floridians already here.

"By developing selectively and by strictly enforcing our existing anti-pollution laws, we can provide these jobs our people need without harming the environment."

Planning for progress

For a growing number of industrial development officials in Florida the way to progress is planning.

"Without planning," says Volusia County's Tom Kelly, "you simply can't have an orderly future. You really don't know what you're doing."

Volusia County includes Daytona Beach, where some 200,000 college students come every Easter vacation and where some 250,000 tourists frolicked in the surf during the last Christmas holidays. But it is also the site of a growing industrial complex. And it is planning for more industry.

"Right now we've got four or five different surveys under way," says Mr. Kelly. "We're going to have a really complete land use program, a complete economic base study, and a water and sewer need program.

"This land use study will show us exactly what we have that's suitable for development.

"One of the keys to future growth is zoning. We've enacted some good

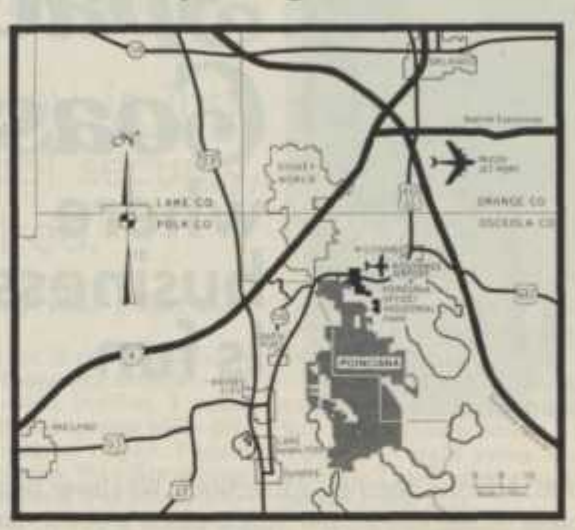
VALUE ADDED BY INDUSTRY
of dollars)

1967 Value Added	Rank	1980 Value Added	Rank	Pct. Change
628.7	1	833.0	2	158.8
448.9	2	687.0	3	194.3
289.9	4	446.0	6	193.7
185.0	10	270.0	10	155.0
225.3	7	357.0	9	240.3
225.2	8	360.0	8	247.2
441.4	3	843.0	1	1019.5
265.3	6	492.0	5	772.3
281.0	5	548.0	4	1488.4
214.0	9	418.0	7	1409.0
104.9	11	219.8	11	726.3
3,668.0		6,880.0		384.8

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BREVARD

COUNTY, FLORIDA

FLORIDA: Planning for Progress *continued*

zoning laws. When the people and industry know exactly where they stand, then everybody is happy."

Some 180,000 people today live in Volusia County, which 1968 figures showed had an annual per capita income of $2,695. Higher now, it is still below the national average and with the population expected to increase greatly in the next eight years, a major concern is to attract industry to raise the wage base of the area.

"Your growth has to be orderly, but continual," believes Mr. Kelly. "You can't have scatter development."

State-wide movement

This sentiment is echoed almost everywhere in Florida, where big, new town construction is marching hand in hand with expansion of existing towns, especially through the development of mobile home residential parks.

To meet the needs of industry, the Florida Industrial Development Council has grown to embrace members in practically every city and town in the state.

Many cities have created industrial parks and others actively help companies acquire needed acreage. Those who think of Florida as simply twin coasts soon learn there is a vast interior where huge tracts of land can be assembled for industrial and other business needs. An example is Disney World, covering more than 27,000 acres.

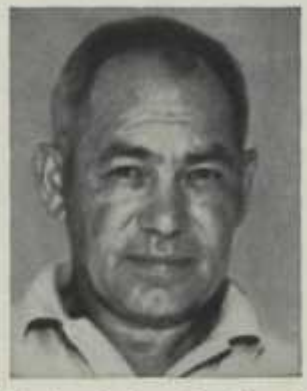
Another aspect of industrial development in Florida is foreign trade, both importing and exporting. The state has 14 deepwater ports, with Jacksonville, Miami and Tampa the largest. Well over 25 million tons of cargo, valued at more than $1.5 billion, pass through these ports annually.

Jacksonville is pushing a huge expansion program for its port to accommodate container shipping. Tampa's port tonnage continues heavy in phosphate mined within the state, while Miami is still the big gateway for export of frozen poultry and beef, as well as motor vehicles. END

when I planned to **retire before fifty**

this is the business that made it possible

a true story by John B. Haikey



Starting with borrowed money, in just eight years I gained financial security, sold out at a profit and retired.

"Not until I was forty did I make up my mind that I was going to retire before ten years had passed. I knew I couldn't do it on a salary, no matter how good. I knew I couldn't do it working for others. It was perfectly obvious to me that I had to start a business of my own. But that posed a problem. What kind of business? Most of my money was tied up. Temporarily I was broke. But, when I found the business I wanted I was able to start it on a little over a thousand dollars of borrowed money.

"To pyramid this investment into retirement in less than ten years seems like magic, but in my opinion any man in good health who has the same ambition and drive that motivated me, could achieve such a goal. Let me give you a little history.

"I finished high school at the age of 18 and got a job as a shipping clerk. My next job was butchering at a plant that processed boneless beef. Couldn't see much future there. Next, I got a job as a Greyhound Bus Driver. The money was good. The work was pleasant, but I couldn't see it as leading to retirement. Finally I took the plunge and went into business for myself.

"I managed to raise enough money with my savings to invest in a combination motel, restaurant, grocery, and service station. It didn't take long to get my eyes opened. In order to keep that business going my wife and I worked from dawn to dusk, 20 hours a day, seven days a week. Putting in all those hours didn't match my idea of independence and it gave me no time for my favorite sport—golf! Finally we both agreed that I should look for something else.

"I found it. Not right away. I investigated a lot of businesses offered as franchises. I felt that I wanted the guidance of an experienced company—wanted to have the benefit of the plans that had brought success to others, plus the benefit of running my own business under an established name that had national recognition.

"Most of the franchises offered were too costly for me. Temporarily all my capital was frozen in the motel. But I found that the Duraclean franchise offered me exactly what I had been looking for.

"I could start for a small amount—a little over a thousand dollars—and that amount I could borrow. I could work it as a one-man business while getting a start. No salaries to pay. I could operate from my home. No office or shop rent or other overhead. For transportation I could use the trunk of my family car. (I bought the truck later, out of profits.) But, best of all, there was no ceiling on my earnings. I could build a business as big as my ambition and energy dictated. I could put on as many men as I needed to cover any volume. I could make a profit on every man working for me. And, I could build this little by little, or as fast as I wished.

"So, I started. I took the wonderful training furnished by the company. When I was ready I followed the simple plan outlined in the training. During the first period I did all the service work myself. By doing it myself, I could make much more per hour than I had ever made on a salary. Later, I would hire men, train them, pay them well, and still make an hourly profit on their time that made my idea of retirement possible —I had joined the country club and now I could play golf whenever I wished.

"What is this wonderful business? It's Duraclean. And, what is Duraclean? It's an improved, space-age process for cleaning upholstered furniture, rugs, and tacked down carpets. It not only cleans but it enlivens and sparkles up the colors. It does not wear down the fiber or drive part of the dirt into the base of the rug as machine scrubbing of carpeting does. Instead it *lifts out* the dirt by means of an absorbent dry foam.

"Furniture dealers and department stores refer their customers to the Duraclean Specialist. Insurance men say Duraclean can save them money on fire claims. Hotels, motels, specialty shops and big stores make annual contracts for keeping their carpets and furniture fresh and clean. One Duraclean Specialist recently signed a contract for over $40,000 a year for just one hotel.

"Well, that's the business I was able to start for a little over a thousand dollars. That's the business I built up over a period of eight years. And, that's the business I sold out at a substantial profit before I was fifty."

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Deerfield, Illinois 60015

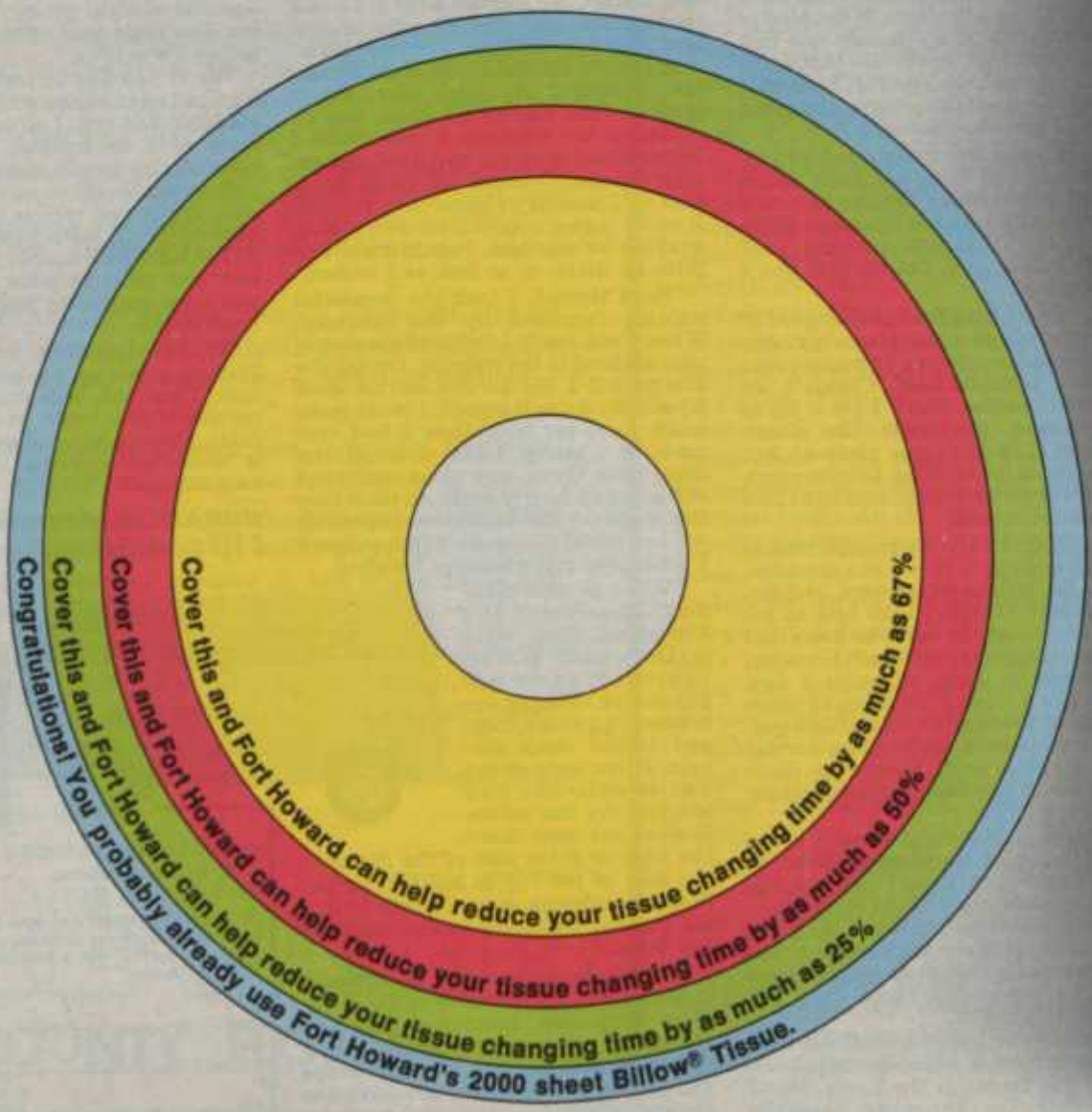
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Our Billow® tissue is 2000 sheets. It lasts twice as long, so your maintenance people only have to change it half as often.

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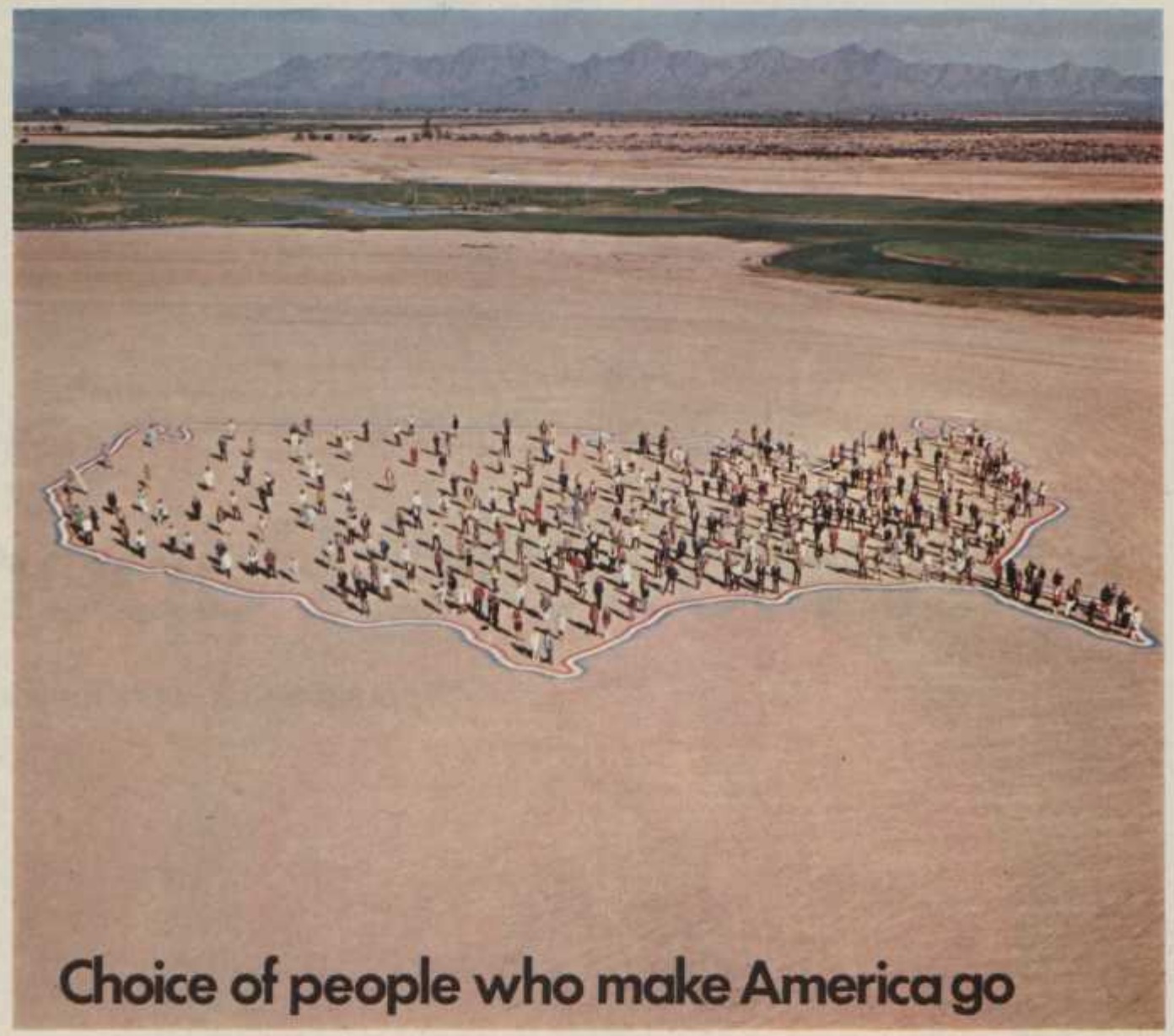
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$trictly Personal

BY PETER WEAVER

■ Buying Diamonds ■ Automobile Deductions ■ Tips for Joggers

Valentine sparklers —real and fake

You can't miss with a diamond valentine gift but you can get hooked on an inflated price if you don't know how to buy.

See the best "name" jeweler in town. Chances are you'll pay a little more, but you'll get more quality for your money. Look carefully at the diamond's cut. Far too many improperly cut diamonds are being palmed off on the public these days.

Some diamonds are "spread cut" to make them look bigger while saving on weight. Ask your jeweler to show the best cut diamond he has and use it as a touchstone guide for brilliance in the gem you finally buy.

Next in importance is the color. The clearest, whitest diamonds are the best. The more yellow in a diamond, the more the value drops. Look at the diamond sideways through its widest part. Use only daylight or daylight-type fluorescent light and put a white piece of paper behind the stone to block extraneous light.

To get a really good buy, you might have to accept a few slight flaws in your diamond. These should be hard to see with the naked eye and should be on the side of the stone.

You can get an even better buy if you're willing to accept a diamond that's slightly less than full carat size. For example, a top quality, one-carat diamond costs around $2,500. If you buy a stone around 95 hundredths of a carat (your eye can't detect the difference), you may pay only half the price of a full carat.

A good handbook for gem buyers (diamonds and other precious stones) is "Gem Appraisers' Guide." It describes sizes and cuts of various stones and lists current, average prices. The price is $10. Write: Lapidary-Jewelers, Inc.; 1659 Wisconsin Ave. N.W., Washington, D.C. 20007.

Just for fun, take a look at some of the artificial diamonds on the market. They make a good gift for the gal who wants to fool her friends with diamond-like pins or earrings.

Companies such as Union Carbide and Litton Industries are making quality synthetic diamonds out of yttrium aluminum garnet. They cost around $50 a carat and can fool all but the pros.

You can get a good booklet on artificial diamonds, which lists all the brand names, by writing: "Facts About Diamond Imitation," Jewelry Industry Council, 608 Fifth Ave., New York, N.Y. 10036.

Tax records for motorists

Now's the time to start keeping a detailed log of each tax deductible trip in your car. You can take short-cut deductions of 12 cents a mile for business use of your car or 6 cents a mile for medical (doctor, pharmacy, etc.) and charity (Boy Scouts, church business, etc.) trips.

You need the mileage, destination and date for each trip because Internal Revenue Service is cracking down on automobile deductions in personal tax audits. Even if you lease or rent a car, you have to have the log to prove the mileage was for tax deductible purposes.

Remember, commuting to work is not tax deductible.

Get in shape— join the joggers

Dr. Irvine H. Page, one of the country's top heart specialists, says businessmen ought to "get off their fatty acids and—move!" Dr. Page suggests jogging or brisk walking (after a chat with your doctor). For joggers, Dr. Page warns that you're not in competition and shouldn't push the pace. Before steady jogging, you should warm up by alternately walking and jogging until you get a second wind.

According to Dr. Page, most people who quit jogging do so from boredom. He says you should not think about jogging. Think about something else when you're running, such as a personal peeve or the killing you're going to make on the stock market.

How fast should you jog? Dr. Page says a steady "klip-klop" is the best speed. Try counting. If the two and three digit numbers are hard to articulate, you're going too fast.

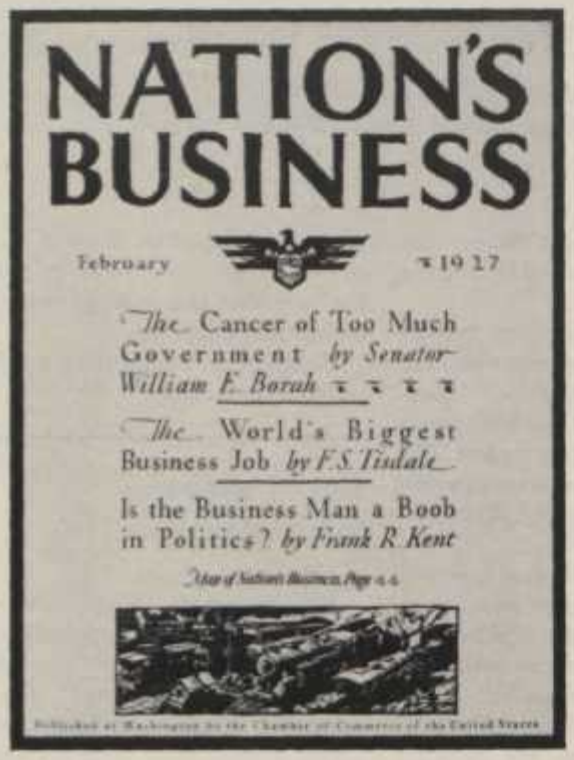
For further tips and information on jogging, write: The National Jogging Association, 1801 I St. N.W., Suite 513, Washington, D.C. 20006. Members get an NJA emblem for sweatsuits, "Guidelines to Successful Jogging," and a newsletter, "The Jogger," which gives news on clubs and equipment and answers members' queries.

MR. WEAVER *writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations.*

The Past Is Prologue

Forty-five years ago in Nation's Business

(established 1912)


NATION'S BUSINESS

February 1927

The Cancer of Too Much Government *by Senator William E. Borah*

The World's Biggest Business Job *by F. S. Tisdale*

Is the Business Man a Boob in Politics? *by Frank R. Kent*


NATION'S BUSINESS

Twenty Million Dozen Eggs

hauled last year by these International Trucks

INTERNATIONAL HARVESTER COMPANY

INTERNATIONAL TRUCKS

Four and a half decades ago, the nation had a strong economic pulse. Business was fair to good almost everywhere. There was optimism in the marketplace (where, for instance, you could buy a 60-ton Caterpillar tractor for $5,000 and a one-ton, stake body, Chevrolet truck for $680).

But voices thundered in the nation's capital over a problem that, today, is as perplexing as ever.

"We are building up a condition under which every conceivable thing relating to human activity is being given over to regulation by bureaus administered in Washington," wrote Sen. William E. Borah of Idaho in the feature article of the February, 1927, issue of NATION'S BUSINESS.

His article, "The Cancer of Too Much Government," scolded:

"People must learn that in looking to the national capital to cure all their ailments, they are weakening the fiber of true citizenship and destroying the self-reliant spirit of Americanism without which the republic cannot endure."

And with a Presidential election coming up in 1928, businessmen were urged in another article—"Is the Businessman a Boob in Politics?"—to start participating in politics, to quit looking at it as something alien.

Other issues of that day are with us still. For example, "Weeding out the Worthless Driver" called for all states to adopt driver's license examinations as a way of cutting down the highway death toll (25,000 a year).

But there were lighter notes.

Two psychologists who had interviewed 50 Ziegfeld and Shubert beauties, reported their average intelligence score was 128 (67 points above that of U. S. males as a whole), proving that the notion that chorus girls automatically were dumb was pretty dense itself.

And, finally, a subscriber suggested the Commerce Department get a new expert on fashion. A Commerce bulletin had advised: "A salesman who expects to do business in Latin America should be provided a complete outfit of dress suit, and that includes a frock coat and silk hat."

Wrote the reader: "The frock coat has been out of style for many years. The cutaway is now worn in all South American countries for formal morning and afternoon occasions."

Nation's Business Books

A readers' service offering a carefully selected group of relevant books from the finest publishers in the country. Nothing to join and no obligations. Simply choose your titles, fill out the coupon and take advantage of your subscription discount. (The business titles are tax-deductible.) Payment must be sent with order.

453. OFFICE ADMINISTRATION HANDBOOK edited by John C. Aspley. All the latest office administration facts and data plus proven methods and systems. Tested solutions to over 3,000 office administration problems and many ideas on cost control, computerized systems, supervision, training, communications, office layout and equipment. Illustrated.
Reg. price: $24.95 **Your price: $19.95**

507. THE EXECUTIVE'S ACCOUNTING PRIMER by Robert L. Dixon, Professor of Accounting Graduate School of Business Administration, University of Michigan. A direct route for every businessman who needs to understand accounting. This book seeks to strengthen management by explaining the accounting structure and reasoning process.
Reg. price: $11.50 **Your price: $9.25**

115 BUYING COUNTRY PROPERTY: Pitfalls and Pleasures by Irving Price. A candid, specific and practical guide to buying country property. Mr. Price discusses the topics of concern that must be taken into account by all those interested in the purchase of property, such as: Mortgage financing, taxes, surveys, utilities, wells, zoning, acreage, sewage systems, ponds and lakes, building problems and much more.
Reg. price: $5.95 **Your price: $4.75**

785 LESLY'S PUBLIC RELATIONS HANDBOOK edited by Philip Lesly. The most complete and modern public relations handbook available. This excellent book covers every area of specialization in the field. An intelligent overview of one of the most complicated pursuits the world has known, working with human minds and emotions.
Reg. price: $17.95 **Your price: $14.35**

660 MANAGEMENT VS. THE UNIONS: How to Win by Edward F. Murphy. An arsenal of practical information to assist the businessman in combatting union trouble. Mr. Murphy explains how the NLRB operates, how businessmen can avoid the Employer's Five Cardinal Sins, how the employer can protect his employees from thier own union's wrath, how to deal with strikers and how to present a case to an arbitrator himself and win.
Reg. price: $12.50 **Your price: $9.95**

685 THE CHIEF EXECUTIVE AND BUSINESS GROWTH by George Copeman. The first international analysis of the acquired skills and working methods of over 100 chief executives. A gold-mine of management experience for executives of small, medium or large firms.
Reg. price: $12.00 **Your price: $9.75**

118 THE FRAGILE BLOSSOM: Crisis and Change in Japan by Zbigniew Brzezinski. A controversial and significant study of the "new Japan". After lengthy talks and interviews with Japanese and other Asian leaders, Brzezinski views Japan as a nation confronting the probability of political and economic crisis in spite of its fantastic growth in recent years. An important contribution in view of present U. S.—Asian relations.
Reg. price: $5.95 **Your price: $4.75**

501 MANAGE MORE BY DOING LESS by Raymond O. Loen. An important guide for executives on all levels and in all functional areas who want to realize their full managerial potential. Focus is on the distinction between managing and doing.
Reg. price: $10.95 **Your price: $8.75**

704. SAVE YOUR HEALTH AND YOUR MONEY: A doctor's Answers to Today's High Health Costs by Patrick J. Doyle, M. D., M. P. H., Past President, American Health Foundation. A detailed guide on getting the best value for your health dollar from your family doctor, the druggist, the hospital, the insurance companies and the health industry.
Reg. price: $6.95 **Your price: $5.55**

029. THE PUBLIC SPEAKER'S TREASURE CHEST by H. V. Prochnow and H. V. Prochnow, Jr. A compendium of source material to make your speech sparkle. Contains jokes, witticisms, epigrams, amusing definitions, quotations and colorful phrases.
Reg. price: $5.95 **Your price: $4.75**

451. SALES MANGER'S HANDBOOK, 11th Ed., by John C. Aspley and Ovid Riso. The most complete handbook available on the fundamentals of sound sales management. New items in this edition are a step-by-step program for picking salesmen who will make good, a complete marketing plan for industrial distribution, how to develop marketing data for your product and how to identify genuine prospects and then choose the most productive targets. "Solid meat and potatoes from cover to cover. To anyone trying to make his way in the modern marketing 'madhouse', this book would be a bargain at several times the price", says the Journal of Marketing.
Reg. price: $24.95 **Your price: $19.95**

552. SUCCESSFUL PUBLIC SPEAKING by Raymond Hull, co-author of *The Peter Principle*. A complete guide to the art of public speaking for success and self development. It includes everything about public speaking from the preliminary techniques of speech preparation to introducing a speaker, participating in debates and panel discussions, handling questions and much more.
Reg. price: $5.95 **Your price: $4.75**

551. SELF-MARKETING MANUAL FOR EXECUTIVES: Resumes That Get the Job Done by Murray Skykind. A comprehensive guide for executives showing how to make a professional search for a better position. Includes advanced techniques for preparing executive resumes, developing interview skills and conducting salary negotiations.
Reg. price: $6.50 **Your price: $5.20**

179. MANAGING FOR RESULTS by Peter F. Drucker. Isolating the qualities that distinguish creative management and translating them into practical counsel for the executive, Mr. Drucker shows the executive what to do to move his enterprise forward and make it prosper.
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059. THE INTERPRETATION OF FINANCIAL STATEMENTS by Benjamin Graham and Charles McGolrick. Second Revised Edition. A Standard work for all who want to understand corporation balance sheets and income statements.
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Reg. price: $14.95 **Your price: $11.95**

450. UNION-FREE MANAGEMENT AND HOW TO KEEP IT FREE by James L. Dougherty. An enlightening approach to building and maintaining a work force (not represented by a labor union) that will operate flexibly yet reward the workers and enable them to have better work experience.
Reg. price: $6.95 **Your price: $5.55**

371. THE ENJOYMENT OF MANAGEMENT by Frederick C. Dyer and John M. Dyer. An excellent book on the human relations aspect of management, concerning the ways a good manager can get the most out of his people by recognizing their contributions to the company, ways of motivating employees, turning negative qualities into positive forces and much, much more.
Reg. price: $7.95 **Your price: $6.40**

456. THE BUSINESS-LETTER DESK BOOK. Executive Edition, edited by L. L. Lewis. A thorough, compact manual of guidelines for writing clear, simple, friendly letters that will promote sales and good customer relations. Includes developing good headlines, finding user benefits with sales appeal, asking for orders and much more. Hundreds of copy ideas for all types of letters.
Reg. price: $10.00 **Your price: $7.95**

373. BUSINESSMAN'S FEDERAL TAX GUIDE by Joseph A. Mauriello. A convenient guide to the Internal Revenue Code and the myriad tax regulations, revenue rulings, revenue procedures and case law surrounding it, that has heretofore been unobtainable. This guide both explains and offers guidance.
Reg. price: $19.95 **Your price: $15.95**

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Reg. price: $7.95 **Your price: $6.40**

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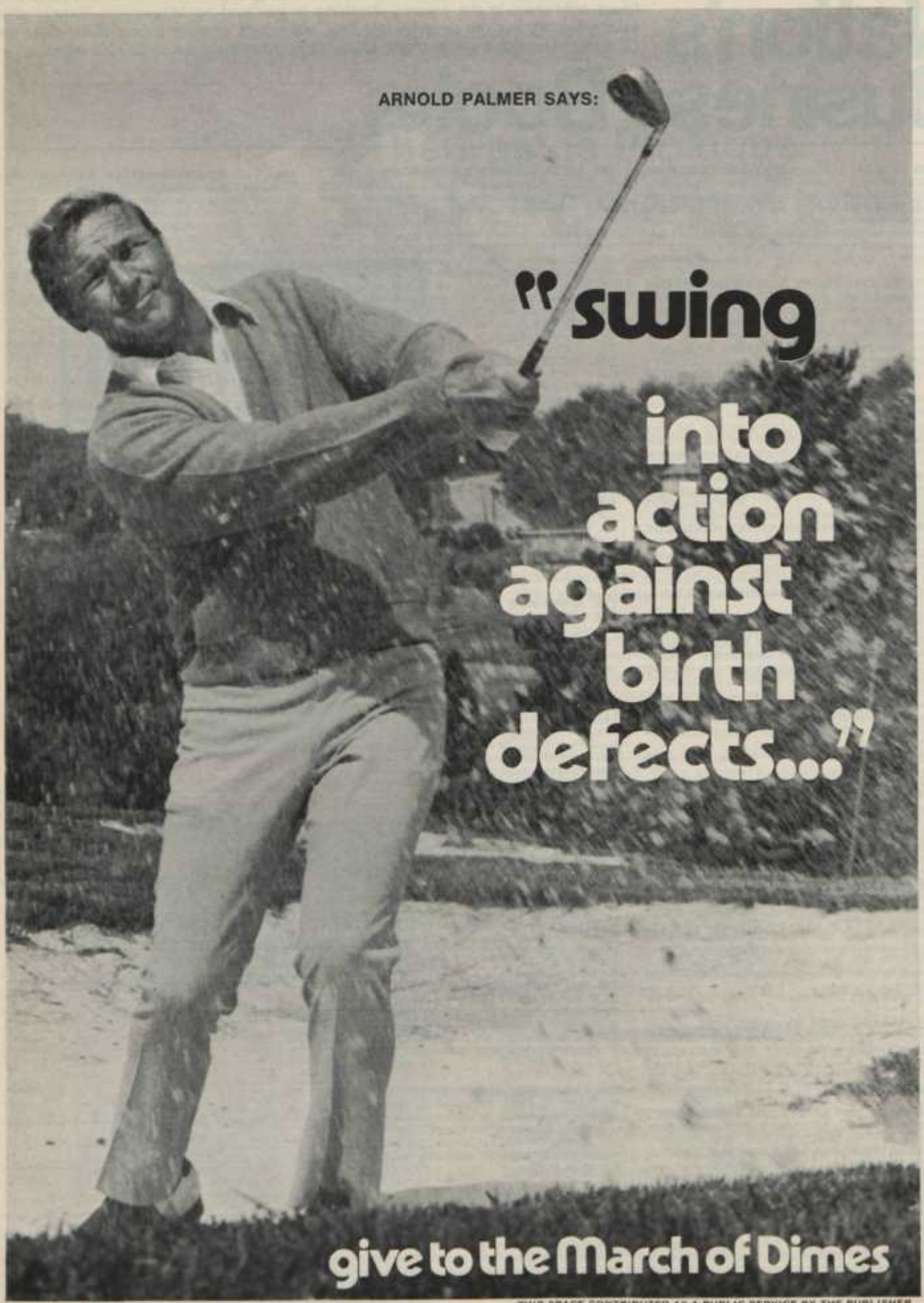
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GREAT MOMENTS & GREAT MEN OF AMERICAN BUSINESS

BY STERLING G. SLAPPEY
Senior Editor

Many years ago, two portrait painters decided there had to be a better way to make a living, and turned to other things—one to perfecting a door lock, the other to developing truck axles. Long after their deaths, the businesses they founded merged to form a modern-day industrial giant. What is that company?

What company was born because an Atlantic storm led a genius to discover how to take water out of milk? The man who made that discovery also wrote the patriotic rallying cry, "Remember the Alamo."

One of the giants of the American tobacco industry was launched in London in the last century by a purveyor of Russian-type cigarets. Which giant is it?

What $26 billion bank was born as a water company 173 years ago, with two historic antagonists helping in the midwifery?

The answers to these four teasers are Eaton Corp., Borden, Inc., Philip Morris Incorporated and Chase Manhattan Bank.

You'll find the detailed stories, and others equally intriguing, in the following 20 articles which make up the third installment of the NATION'S BUSINESS series, "Great Moments and Great Men of American Business." Each article deals with events at a different great company, and the authors are board chairmen, presidents or other highly ranked executives at the companies.

A further sampling of the subjects:

- The businessman who had the vision and nerve to take a sample case filled with American-made cosmetics to France—that land of cosmetics as well as beautiful women—and who scored a tremendous success there. (Davis Factor of Max Factor & Co.)
- The oil company that more than half a century ago realized there were untold opportunities in a lead-free gasoline, and took an expensive plunge so it could market the product. (American Oil Co.)
- How the name Edward Clark fits with that of Isaac Singer, and how Mr. Clark's genius spread Mr. Singer's name—but not his own—around the earth. (The Singer Co. traces its history to the teaming up of the two men.)
- The noted retailing figure who was carried bodily from his office by men following the orders of an American President. (The retailer: Sewell Avery of Montgomery Ward & Co. The President: FDR.)
- The company that began life in a garage on a back street in Chicago and now does big business in 103 countries. (The Hertz Corp.)

There's lots more. Companies whose stories are told in the articles include, in addition to those already mentioned:

C.I.T. Financial Corp., CNA Financial Corp., Kaiser Industries Corp., Jack Daniel Distillery, Masonite Corp., North American Rockwell Corp., Outboard Marine Corp., PPG Industries, Inc., Ralston Purina Co., Southern Railway System and Western Union Corp.

The history of American business has as many heroes as do the histories of American wars and politics. But the businessmen, with rare exceptions, have not been publicized as much. America's military and political histories are thoroughly taught in schools, while its business history is hardly taught at all.

It is the aim of this NATION'S BUSINESS series to spotlight men of vision who knew the right moment to seize on an idea, to come up with a new product, a new service or a new method, which ultimately carried small firms to national prominence.

Such men should be known and respected far beyond their companies, because it is business which has provided the economic sinew for so many aspects of American life.

AMERICAN OIL

How a Father and Son Knocked out the Knock



By Blaine J. Yarrington
President
American Oil Co.

When American Oil management decided, in February, 1970, to gamble $100 million to become the first oil company to market nationally a lead-free gasoline, we did so with a knowledge and capability born of making and selling a premium grade unleaded fuel in the South and East for more than 50 years.

Within the past two years almost all our major competitors have followed this example with their own lead-free or low-lead gasoline.

A growing demand for nonleaded gasoline is predicated on the imperative need to control automotive emissions—source of more than 40 per cent of all air pollution.

The catalytic converters that auto makers say are necessary to eliminate air pollutants will be installed on most American-made automobiles by 1975. Because the catalysts that will be used to convert the impurities in the exhausts of 100 million motor vehicles to harmless substances are themselves "poisoned" by lead, success of the entire program depends on large-scale conversion to lead-free gasoline.

American Oil's historic leadership in producing lead-free motor fuel is almost solely attributable to two men—father and son—who sought a better way of making a high-octane gasoline.

The year was 1915, and the men were Louis and Jacob Blaustein, co-founders of the old American Oil Co.

Their decision to make and market an octane-improved, lead-free gasoline marked a turning point in the history of a small and struggling company that has since become, as a wholly-owned subsidiary of Standard Oil Co. (Indiana), one of the nation's top-ranking petroleum marketers.

The history of American's rise to national prominence is a story in itself. It involves a series of carefully conceived mergers and consolidations that began in 1923 and culminated, in 1961, with American combining its strengths with those of other Indiana Standard subsidiaries to become a nationwide manufacturer and marketer of more than 1,000 petroleum products.

The year 1915 was itself something of a milestone in the ongoing saga of American transportation.

The automobile had reached its adolescent stage. There were steamers and electrics—and the gasoline "buggy" had just begun to pull ahead of its rivals in popularity and performance. Then as now, continued progress in automotive engineering was geared to progress in petroleum research. Better cars required better fuels.

Louis Blaustein and his son, Jacob, had begun operating under the American Oil name in Baltimore only five years earlier. From their one-room office-warehouse in a converted stable they set forth each morning to deliver kerosene through the city's streets by horse-drawn tank wagon.

Seeking growth, they became convinced that a company with a unique motor fuel, heavily advertised, promoted by brand name and backed by an aggressive sales force, was bound to succeed. Their business philosophy held, too, that the public would be willing to pay a few cents more for outstanding quality and service, provided they knew the facts.

As a result, within five years after the company began operations, it flashed on the oil marketing scene with Amoco-Gas, the world's first "original, special antiknock fuel."

It came about this way:

Louis became keenly interested in a liquid known as benzol, a volatile by-product from the coke ovens of the nation's steel mills. Taking over the kerosene route himself, he put Jacob to work with a collaborating chemist in a makeshift laboratory. Their assignment: Develop a stable blend of benzol and straight-run gasoline.

After weeks of experimenting, the men poured one of their mixtures into the tank of a car with a four-cylinder engine, held their breath and drove down the streets of Baltimore.

The engine didn't explode. In fact, it showed amazing performance compared to other gasolines then available. Here, they decided, was the answer.

After additional testing and quiet, behind-the-scenes negotiations to secure adequate supplies of straight-run gasoline and benzol, they announced their new antiknock fuel to motorists with advertisements that might make a present-day copy writer blanch.



You would have to be a senior citizen to clearly remember the long gone days when horsepower was used to pull tank wagons of kerosene and oil through America's city streets and country roads. Amoco wagons gave way to motorized trucks about 1917.

Example: "Feed your car Amoco-Gas and you'll think it's on a diet—it requires so little."

The company's advertising budget in 1917 was $30,000, a large portion of its out-of-pocket expense that year.

By the mid-'20s, practically every other gasoline marketer was clamoring for tetraethyl lead to add to its gasoline to eliminate engine knock and ping, problems that Amoco-Gas had already solved.

Coke-oven benzol has long since ceased to be the material used by American Oil to raise the octane number of its unleaded gasolines. Today the components are made through a series of refining processes.

From the start, Amoco-Gas was more expensive to produce, and historically it has sold for a few cents more than leaded gasoline of comparable quality. For a number of years, Amoco-Gas sold for five cents a gallon more than most brands of regular gasoline.

The Blausteins' philosophy continued to guide the company through its years of rapid growth. Writing in 1927 in the first issue of American Oil Co.'s employee publication, Jacob had this to say:

"I am naturally an admirer of my father, and trust to be pardoned for this reference to him. He has endowed us with the spirit of square dealing and with the desire to be of real service to the many communities we serve and to the industry of which we are a part. . . ."

Louis Blaustein died in 1937; Jacob in November, 1970. Throughout their lives, both men were ever open to experimentation and innovation. Two of their more notable contributions to petroleum marketing were the first drive-in service station (previous stations were at curbs) and the first visible-bowl gasoline pump (so motorists could see what they were buying).

One of the most memorable events in the history of Amoco-Gas (the name was changed to Amoco Super Premium in 1961) is recorded on an American Oil bill of lading dated at Baltimore, April 20, 1927. It instructed the B&O Railroad to ship 10 drums of Amoco-Gas to Capt. Charles Lindbergh at Hempstead, Long Island, N.Y. The lanky, shy airmail pilot took it from there, and with an absolute minimum of fuel skimmed away on his 3,610 mile nonstop trip to Paris—the first nonstop transatlantic solo flight in history. END

BORDEN

How Babies' Cries Helped Launch an Industry



By Augustine R. Marusi
Chairman and President
Borden, Inc.

The ship carrying Gail Borden home from England rolled and lurched, its sails dipping before the chilly Atlantic waves. Several immigrant babies were crying in the dank hold. After a few days, four of them died as a result of drinking contaminated milk from diseased cows kept on board ship.

Gail Borden, who had witnessed the babies' misery, was deeply troubled. He couldn't get their cries out of his mind. He began to dream about a milk that would be safe for shipboard use, and "as common on shipboard as sugar."

He had to find a way to treat milk to make it stay fresh and pure over a period of time, and still not lose its body-building qualities.

Back in New York, where he was then living, he began seeking a method to remove the water from milk, and concluded that using a vacuum pan was the only good way. As his determination increased, he boarded his family, and moved to New Lebanon, N.Y., a Shaker community. He thought he could learn something from the way the Shakers were using a vacuum process to preserve fruit.

In 1853, after two years of experimenting, he had a new product which he called "condensed milk." It was pure, fresh milk from which most of the water was removed under vacuum at a low temperature. It contained sugar as a preservative.

Three years later, Mr. Borden received a patent for his process, and it was time to market the new product. He set up a factory in Wolcottville, Conn., May 11, 1857. The first can of milk was delivered to Charles McNeill, who owned a general store and drugstore there.

But marketing was not easy. Mr. Borden sold most of his new product house-to-house from a pushcart, all the time trying to convince people that condensed milk was the solution to the fresh milk problem.

Unknowingly, he was laying the foundation for the modern dairy industry, while he worked to enforce rules of cleanliness. He often said: "There is nothing manufactured requiring so much care, everlasting vigilance and attention as milk."

This was only the latest of Mr. Borden's many ventures.

A rugged individualist and practical dreamer, he was born Nov. 9, 1801, in Norwich, N.Y. Following a family tradition, he became a surveyor, helping to lay out Covington, Ky., and becoming official surveyor for Jefferson County, Ind., when he was only 20.

In time, however, he developed a persistent hacking cough from the constant outdoor work.

Although he had only about two years of formal education, he got a job as a school teacher in Amite County, Miss., where the warm climate would be good for his health.

His students were especially lucky. To strengthen his lungs he ran full speed to school each day, stopping occasionally to scoop up a child, deposit him on his shoulder and take off again at the same pace. Often, he arrived at the schoolhouse door with a delighted youngster on each shoulder.

Turning to inventing, he was responsible for originating a sort of "prairie schooner," or wagon with sails, which was supposed to travel equally well on land or water. Unfortunately, on its most important voyage, the unusual vessel tipped over, dumping a cargo of influential occupants.

Some years later, he became a Texas resident and publisher of the *Telegraph and Texas Register*, one of the first newspapers in Texas.

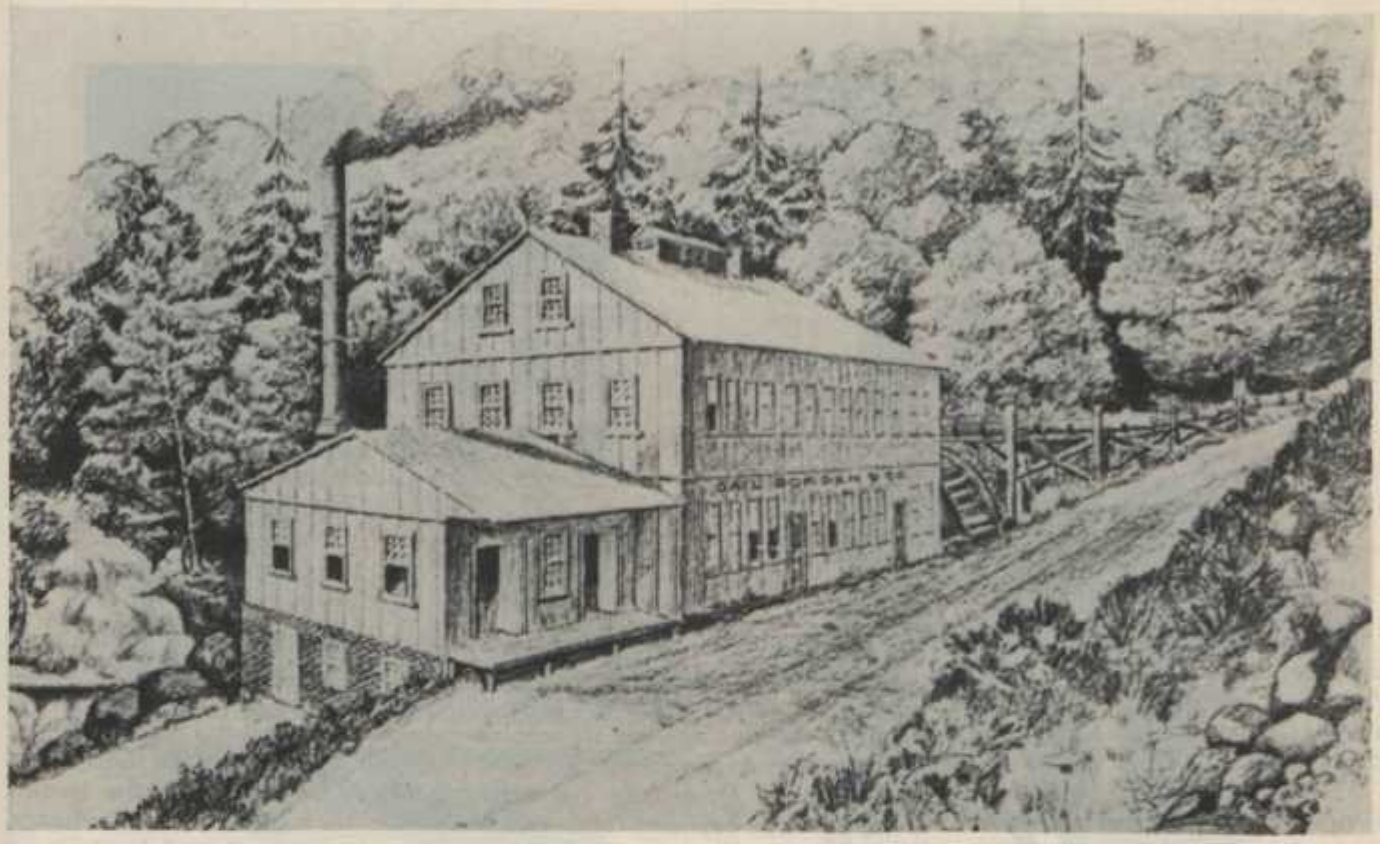
One of his headlines, "Remember the Alamo," rallied recruits to the Lone Star standard, and when the Texans finally had their republic, he helped draft its constitution.

Developing a dehydrated meat biscuit was another Borden venture.

Ultimately it proved unprofitable, largely because of its taste. But, in 1851, Mr. Borden traveled to England to receive a gold medal for his biscuit at London's Great Exposition. It was on the voyage back to America that he was inspired to develop a process to preserve milk.

His new condensed milk business was a financial struggle. He had spent too much money on his unprofitable meat biscuit. But soon a chance encounter occurred that gave his business the push it needed.

On a train, he met Jeremiah Milbank, a conservative New York bank-



After two years of experimentation, Gail Borden learned to condense milk by removing the water and adding sugar. In 1857, he set up operations in Connecticut (this is his first condensery). The company's sales were $48,000 the first year. Now they are $2 billion yearly.



Mr. Borden, who died at age 72 in 1873, had a varied career. As a Texas newspaper publisher, he headlined the call: "Remember the Alamo."

er. Mr. Milbank liked him and agreed to back this man who had intrigued him with his stories of troubles and successes. As Mr. Borden's partner, Mr. Milbank invested $100,000. When he died, some years later, his investment was worth $8 million.

Mr. Borden worked constantly, putting in 18-hour days at his plant and always talking—to anyone who would listen—about the need for cleanliness in milk production. He was determined that what he called the "living fluid" would be clean.

He insisted that farmers wanting to sell him milk meet strict conditions of cleanliness in their animals, barns, feed and equipment. And when he taught farmers to bring their milk to Borden's, he also was teaching them the possibilities of quantity milk production, as well as saving them long hours of churning and cheese-making.

When he died, his company was firmly established as the leading milk condensing company in the United States, and the modern dairy industry had begun. From his first factory in Wolcottville, which offered one product, employed three people and had total sales of $48,000 the first year, grew a corporation that ranks 54th in sales among the nation's manufacturing companies.

Borden, Inc., had world-wide sales of more than $2 billion in 1971. Of its 46,000 employees, some 9,600 are overseas. It has 72,000 shareholders, nearly 100 profit centers, more than 300 manufacturing locations and more than 7,000 products.

Mr. Borden's dream of a safe milk never faltered. He simply did what he could with what he had, earning the success that is reflected in his epitaph: "I tried and failed, I tried again and again, and succeeded." END

CHASE MANHATTAN

Jonah Swallows the Whale



By David Rockefeller
Chairman of the Board
Chase Manhattan Bank

Just outside my office on the executive floor of One Chase Manhattan Plaza is a display case containing some of the most famous of our bank's $26 billion in assets.

The treasure trove includes a weathered piece of wooden pipe and a brace of dueling pistols—mute symbols of the days 173 years ago when our bank was founded.

The dueling pistols are the same ones held by Alexander Hamilton and Aaron Burr in the morning mist of July 11, 1804, to settle finally on the "field of honor" their long personal and political feud.

There are conflicting versions of the details of that meeting on the Weehawken Heights dueling ground, though it is certain that a ball from Burr's pistol found its mortal mark in Hamilton's right side and ended their bitterly partisan quarrel for all time.

The special meaning that Hamilton and Burr hold for us at Chase Manhattan is not related to their many disputes, however, but to one of their rare accords. In 1799, they saw with other leading citizens of Manhattan that a way had to be found to provide the city with clean, fresh water because contaminated local wells threatened to start another yellow fever epidemic.

After securing the approval of the city council, this committee of citizens applied to the New York State Legislature for a charter to found the privately-owned Manhattan Co.

Besides piping a supply of fresh water around town through a system of center-bored pine logs, the new company could—under an amendment to the charter—use its surplus capital to conduct various "moneyed transactions." Eventually, the water company was replaced by a much larger municipal water system, but the "moneyed transactions" of the Manhattan Co. flourished until it developed into one of the world's major financial institutions, The Chase Manhattan Bank.

Today, as we gather for our directors' meetings, we occasionally peruse that original charter, which is displayed in a special cabinet in our board room.

Although Chase Manhattan has since converted to a national charter, we know that the broad and liberal state charter issued to the original water company had a profound effect on the bank's rapid growth over the years.

Ironically enough, there was also one occasion when it had just the opposite effect—nearly stopping the bank's growth.

The Chase National Bank, founded during the troubled aftermath of the War between the States, had by 1921 grown into one of the country's largest banks by assuming a leadership role in corporate and commercial business. A series of mergers over the following decade enhanced its trust and overseas facilities, as well. Then, after the World War II ended, Chase resumed its trend toward increased international expansion. At the same time, the older and smaller Bank of Manhattan Co. was expanding vigorously along domestic retail lines.

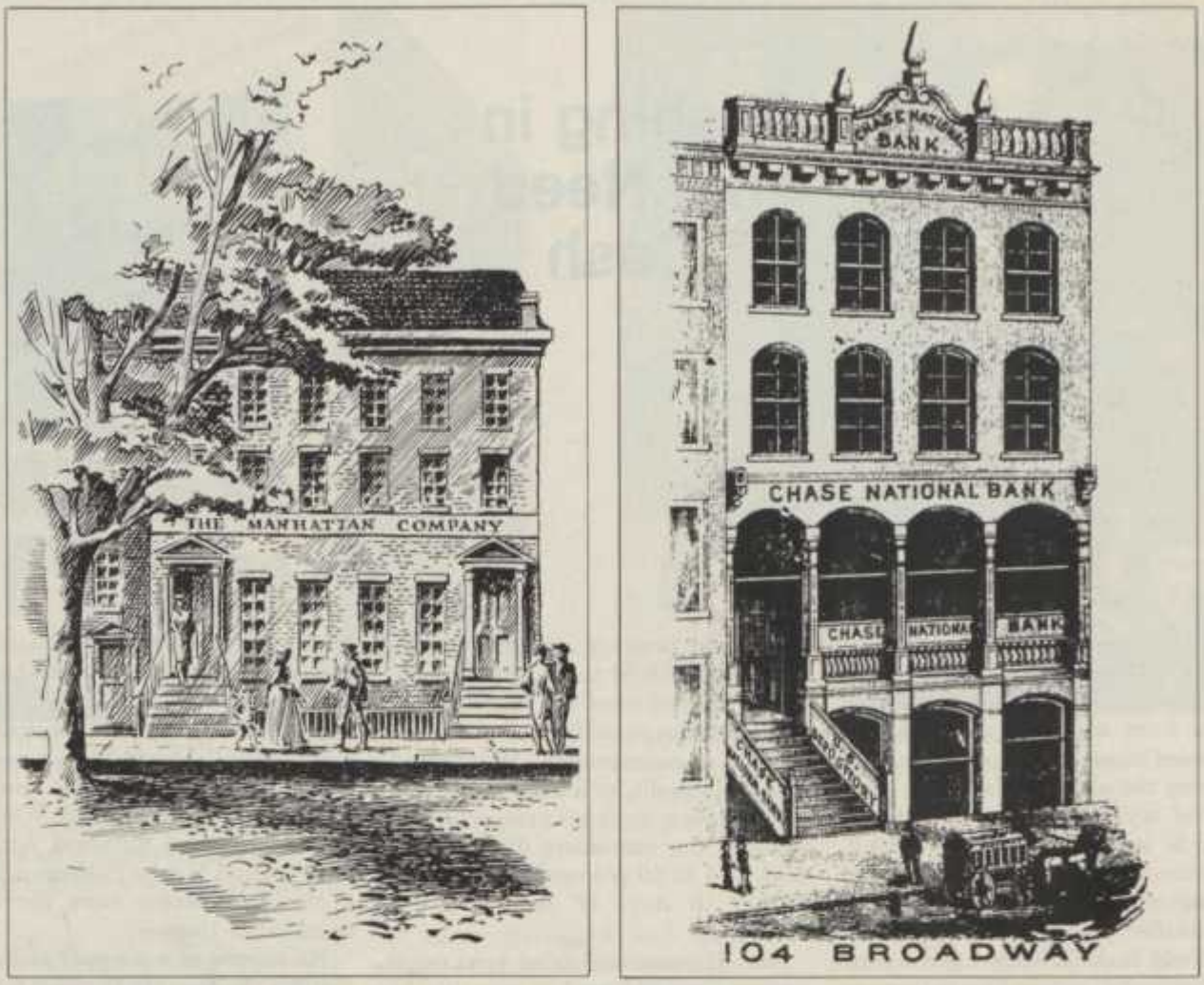
The Chase, by now the third largest bank in the U.S. and the leading lender to commerce and industry, recognized the value of developing a better retail and corporate balance in its domestic structure and began to examine the possibilities of an appropriate merger.

By 1951 prospects had been narrowed down, and exploratory discussions began between Chase and Bank of Manhattan.

Although Bank of Manhattan was by far the smaller of the two, it had concentrated its retail banking into precisely those areas where Chase was less developed.

Word of these early talks leaked out and rumors quickly spread along Wall Street that the biggest consolidation in the history of American banking was imminent. Then, just as the largest bank in New York seemed about to be created by merger, all discussions terminated with the citing of "legal obstacles."

Although a number of modern merger regulations require approval of only two thirds of the stockholders, some doubted that the original legislative act incorporating the Manhattan Co., as amended, permitted the merger without the consent of all shareholders. Knowing that any litigation of this issue might take years to resolve, the principals had no



One of the world's foremost banks was created in 1955 when the Manhattan Co.—born in 1799 at 40 Wall Street, New York—merged with Chase National Bank, formed in 1877 at 104 Broadway, New York. Alexander Hamilton and Aaron Burr helped organize the Manhattan Co.

practical recourse but to suspend further action.

In 1953, John J. McCloy was elected chairman of Chase. Mr. McCloy, who had been president of the World Bank and former United States high commissioner for Germany, also had been a practicing attorney, and he was unable to dismiss from his mind the fine merger opportunity lost by both Chase and Manhattan over this legal technicality.

Although it had been questioned whether Manhattan could merge into Chase, no one questioned that the country's fifteenth largest bank could absorb the country's third largest.

The Bank of Manhattan directors agreed to the arrangement proposed by Mr. McCloy and, on March 31, 1955, as one magazine described it at the time, "Jonah swallowed the whale."

What resulted is now financial history. The combined Chase Manhattan Bank became the largest bank in New York City with nearly $6 billion in deposits—a figure that has quadrupled to $22.8 billion in the years since then. Today Chase Manhattan has extensive retail business—nearly 170 domestic branches, 3,500 correspondent banks across the country, plus 2,047 overseas locations in 77 countries.

The bank processes two million checks worth $5 billion daily and employs 23,500 people at home and abroad.

There is nothing left of the original water company, except for a few remarkably well preserved relics, including the log pipes that still turn up occasionally during New York City construction. The charter in our board room is our last physical tie with the water company.

But when our board meets, in the presence of that charter, to deliberate such matters as the appointment of an environmental engineer to advise us on water pollution problems or to receive reports on a municipal bond issue to finance waterworks, we continue to feel our special kinship with those early public-spirited citizens of Manhattan who came together to deal with their own contaminated water and, incidentally, led to the formation of Chase Manhattan. END

C.I.T.

Cashing in on a Need for Cash



By Walter S. Holmes Jr.
President
C.I.T. Financial Corp.

One day early in 1908 Henry Ittleson, a 37-year-old St. Louis, Mo., businessman, tore a small piece of paper from a pocket notebook and scribbled notations in pencil on it.

Using the abbreviations and economy of style which a man employs when he is writing a note to himself, he outlined a plan for a new company. His logical, careful mind and his hard-won business experience dictated that he should make a budget and a forecast before he launched his enterprise.

And that was what he was doing—launching the company that today is known as C.I.T. Financial Corp.

Mr. Ittleson's slip of paper, which was found in his effects when he died in 1948, measured 2½ by four inches. On it appeared the initials "C.C.I. & Co.," which stood for C.I.T.'s first name, "Commercial Credit and Investment Co." The note showed a rent allowance of $75 a month—for the first office, in a large corner room in the Mercantile Library Building at Broadway and Locust Streets, St. Louis.

The field in which Mr. Ittleson proposed to pioneer is known today as accounts receivable financing. He had noticed that many companies were in a chronically short cash position because trade custom required they sell their merchandise on credit to retail customers.

Mr. Ittleson planned a company which would advance to these manufacturers a stipulated percentage of the cash value of their receivables. He would not base his advances on the cash condition of the manufacturers, which did not meet the requirements of banks, but upon the moral responsibility of management. He planned to earn a profit by a discount charge of 4 per cent, since his prospects were offering the customers discounts as high as 7 to 10 per cent for payment within 10 days of receipt of his invoices.

Mr. Ittleson estimated how much money he would need to operate, the interest he could obtain, and the anticipated profit for the first year—and he put it all down on the slip of paper.

The company had an initial capital of $100,000 upon which it borrowed $1 million. Mr. Ittleson's faith permitted him to estimate a first year's profit of $13,000. He was wrong. The profit that year was nearly twice as high.

At the time of his company's founding, Mr. Ittleson was not a wealthy man. His parents had been retail merchants in Dodge City, Kans., where every man carried a gun. One year a drought struck the Kansas prairies, shriveling the farmers' wheat. Disaster hung over the land and farmers could not pay their bills. The Ittlesons put all their belongings in a covered wagon and headed west. When they got to Carbondale, Colo., they stopped. Here, on a rough frontier, they opened another store.

After a short time, young Ittleson moved to Denver, where he entered the real estate business. He prospered briefly and then suffered losses in a typical real estate bust of that boom-and-bust period.

Meanwhile, he had become acquainted with David May, a member of the widely-known May family of merchandisers of St. Louis. When the real estate boom flattened out, Mr. May offered Henry Ittleson a job in a men's furnishing store the Mays operated in Denver.

He started as a wrapper and delivery boy (he was 21) in order to learn the business, but he rose quickly in the May organization.

In 1892 he was transferred to St. Louis, where he eventually became general manager of the May stores in that city. He had a great future with the Mays. But he was a perceptive individual who knew when he had found a need for a business he could himself establish and operate. He planned a partnership with a man in Chicago for this new business.

Then, when he told David May of his plan, Mr. May said, "I don't care what business you go in, but we want to back you in any business you enter." So Mr. Ittleson decided not to enter the partnership but to start his own company in St. Louis. The May family and their associates put up most of the money for the company. But it was run by Henry Ittleson.

The company prospered immediately—C.I.T. has never had a losing year. Mr. Ittleson had established a service that was desperately needed



Giant C.I.T. Financial Corp. began life in 1908 in a corner room of this St. Louis building. Founder Henry Ittleson scribbled notes estimating first-year profits at $13,000. They almost doubled that.



Henry Ittleson (left) discussed automobile financing with Henry Ford, a man who knew something about founding giant companies, at Dearborn, Mich., in 1933.


Estimate Expenses
1st year 1908. C.C.I.Co
Salaries
Rent
Atty
Int.
Rent
Atty
Atty
Stationery
Telephone

by America's small and medium-sized, but growing, businesses. Among his earliest customers was a struggling firm that later became Monsanto Chemical Co.

An ability to adapt to changing conditions has characterized C.I.T. over the years. At one time it was the leading independent auto finance company in the country. However, as a result of competition from auto manufacturers' captive finance companies, C.I.T. decided to reduce its participation in auto financing and redeploy funds into such activities as personal loans and mobile home financing. It has grown very rapidly in these areas.

C.I.T., which in 1971 completed its 20th consecutive year of increased earnings, now has assets well in excess of $3.4 billion. Compared with the seven employees Mr. Ittleson estimated the fledgling firm would need back in 1908, it now employs nearly 25,000.

The company has diversified into many areas, although financially related enterprises remain the bulwark of its business. Among its subsidiaries are the National Bank of North America, C.I.T. Financial Services (personal loans, mobile home financing), C.I.T. Corp. (industrial financing and leasing), Meinhard-Commercial Corp. and William Iselin & Co. (factoring), and North American Co. for Life and Health Insurance.

Others are All-Steel Equipment, Inc. (office furniture), C.I.T. Service Leasing (vehicle leasing), Gibson Greeting Cards, Inc. (cards and party goods), C.I.T. Educational Buildings (building and leasing of educational and medical facilities), The Tuition Plan, Inc. (educational loans), and Picker Corp. (X-ray equipment, radiological instruments).

C.I.T. also has a Canadian subsidiary, Canadian Acceptance Corp.

Perhaps the best measure of the success of Mr. Ittleson's idea is the fact that C.I.T. in 1970 paid out in dividends to common stockholders 2,685 times the amount he estimated for earnings back in 1908—$34.9 million in dividends compared with $13,000 in estimated earnings. And the dividend was raised again in 1971, before the wage-price freeze. END

CNA

A Casualty Recovers



By Jacque W. Sammet
President
Continental Casualty Co. and
Continental Assurance Co

At an isolated resort in Wisconsin's beautiful Kettle Moraine countryside, a group of insurance executives gathered in the autumn of 1967 to look at some very ugly numbers.

The men were from Continental Casualty Co., and the numbers represented the losses suffered by its liability-property-surety division.

In 1965, these losses had totaled a staggering $34 million. The succeeding years had been only slightly less horrendous. Yet the division's well-being was vital to the company, since it accounted for nearly half of Continental Casualty's volume.

Should it be scrapped entirely?

That was one of the possibilities tossed out to the task force appointed to tackle the problem. Every alternative—no matter how extreme—had to be considered, declared John A. Henry, then president of Continental Casualty.

Mr. Henry was only a year away from retirement, but he did not intend to dodge this final battle. A tall, imposing man with a charismatic personality, he exerted all his authority and persuasiveness now to encourage the men of the task force.

They must see the problem, he insisted, as one that could be solved. There could be no falling back on the excuse that the entire liability-property-surety business was trapped in the same sea of red ink in which Continental Casualty was foundering.

The temptation to despair was understandable.

Underwriting losses for the capital stock liability companies were $1.5 billion between 1955 and 1970. The 14 foremost companies alone incurred liability losses of $609 million during the 1960s.

A 1969 study reported that the liability-property-surety business had the lowest profit level of 55 leading industries in the United States.

The reasons for this were many: The swiftly rising costs of auto accidents; skyrocketing inflation, which causes premium increases to lag behind cost increases; astronomical settlements awarded by juries; spiraling medical costs; more heavily concentrated business risks; and laws in many states prohibiting insurers from revising rates quickly and effectively.

In Continental Casualty's case, these problems were compounded. We were very busily occupied in forming—together with Continental Assurance Co.—the mammoth corporation that would become CNA Financial Corp. And we had, not too long before, acquired two other casualty companies that had serious liability-property problems of their own.

Nevertheless, Jack Henry asserted, these liability-property-surety reverses had to end, and by a certain date: Three years hence.

Probably in few other businesses would breaking even seem like such an infinitely desirable—and such an utterly impossible—goal.

The idea of dropping this type of coverage, or even vastly curtailing it, was discussed and rejected. The company, as a multiline insurer, intended to grow, not retrench.

Given free rein, the task force hammered out a plan that was both visionary and down-to-earth. Preliminary planning on "fixing" this part of the business had gone on since 1965, but what now emerged was the division's first systemized, step-by-step program for the future.

The plan, in a sense, marked Continental Casualty's entry into a new era of formalized long-range thinking. Its impact went beyond the current problem area of the moment. It gave solid promise that similar techniques and talents could be used to make a strong, tightly coordinated entity out of the yet unborn CNA Financial Corp.

With its built-in deadline, the plan generated a sense of urgency—plus a new spirit of optimism and purpose. The methods employed to try to reach the 1970 target were not so remarkable. The zeal with which these wide-ranging methods were orchestrated into a single, relentless attack was unique.

Among the approaches were:

- More emphasis on commercial business rather than on personal insurance sales.
- Soliciting the business of trade associations. A commercial trade group with an annual premium nearing $9 million is now the largest single liability-property-surety account.



These are three of the men who, in shirt-sleeve work sessions such as this, made many of the decisions that led to the comeback of Continental Casualty's business in the liability-property-surety fields during the past several years. From left: Burton F. Harris, executive vice president of Continental Casualty; the author; and John A. Henry, former president (now retired) of the company. Continental Casualty was one of two firms that formed CNA Financial Corp. CNA now has, in all, 19 subsidiaries.

• Streamlining the agency force. Agents were assured they would remain a major element in our system of distribution, but we would retain only those who were truly professional, dedicated to our firm and aware of the changing needs of the times.

• Increased authority and responsibility for regional and branch offices.

• Upgrading of management personnel. This was accomplished by an employee evaluation system, schools and seminars, transferring executives with field experience to the home office, and promoting younger men into key spots.

• Stringent expense controls.

• A strong emphasis on profits, particularly in the branches.

• A heavy stress on providing services that the customer can't do without.

It was drastic surgery which could —and did—leave scars.

But by the end of 1970, the 100 per cent trade ratio—which in insurance terminology represents the break-even point—had been attained.

Jack Henry retired before the target was hit, but he had the satisfaction of seeing his convictions proven correct:

Don't be intimidated by numbers, no matter how many millions they total.

Don't say the problem's insoluble.

Study the situation, make a plan and follow it. END

EATON

The Ideas Whose Time Had Come



By E. M. de Windt
Chairman of the Board
Eaton Corp.

In 1911, when the fledgling automotive industry was putting the nation on wheels, a young man in New Jersey noted with some dismay that the only difference between a passenger car and a truck was the body style.

Joseph Oriel Eaton foresaw a nation where not only people, but food, manufactured products, raw materials and every manner of goods would be transported over the roads. He was just as sure that trucks had to be sturdier, bigger and more versatile than passenger cars.

With a group of associates, he attacked the problem by developing truck axles in a small machine shop in Bloomfield, N.J. Customers were few and doubtful at first. About the only way to sell a truck axle was to build an entire truck around it. This is what he did, and it worked, providing sales of seven axles in the first year.

Mr. Eaton, the son of an Ohio farmer, helped pay his way through Williams College by painting portraits. After graduation in 1895, he held a variety of selling jobs. For a time he was an $8-a-week clerk at the American Express Co.

It wasn't until he was in his mid-30s that his creativity and administrative skill found fertile ground in, of all places, the making of truck axles.

Mr. Eaton's small company soon outgrew its quarters and moved to Cleveland to be nearer truck manufacturers. Other elements and components for cars and trucks were developed and the Eaton Manufacturing Co. was well on the way to becoming a leading supplier in the vital fields of moving men and materials.

Early in his career, Mr. Eaton developed a philosophy that still guides the company that bears his name: "The highest quality products at the most economical prices in the most competitive markets."

The company grew through development and acquisition. Over the years many famous names of American industry joined its ranks and added their quality products to the company's growing competence.

On Jan. 1, 1966, Eaton merged with Yale & Towne, the famed lock and hardware company. There were similarities in the men involved in conceiving both enterprises. Both Mr. Eaton and Linus Yale Jr. were portrait painters in their youth and both embarked on business careers as the result of ideas "whose times had come"—Mr. Eaton with the truck axle, Mr. Yale with the pin-tumbler cylinder lock, which to this day remains the basic element of security the world over.

Mr. Yale, son of a well-known lockmaker and inventor, was a devoted angler, and it was probably during a fishing session that he first sketched his ideas for the pin-tumbler lock. This locking principle, which was known to ancient Egyptians, was perfected by Mr. Yale into the secure and inexpensive mass-produced lock of today, virtually unchanged in design after 100 years.

Mr. Yale, a modestly successful dreamer, looked to Henry Towne, a young engineer and administrator, for the successful management of the company. Mr. Yale died of a heart attack at 47 and Mr. Towne carried the Yale name and products throughout the world.

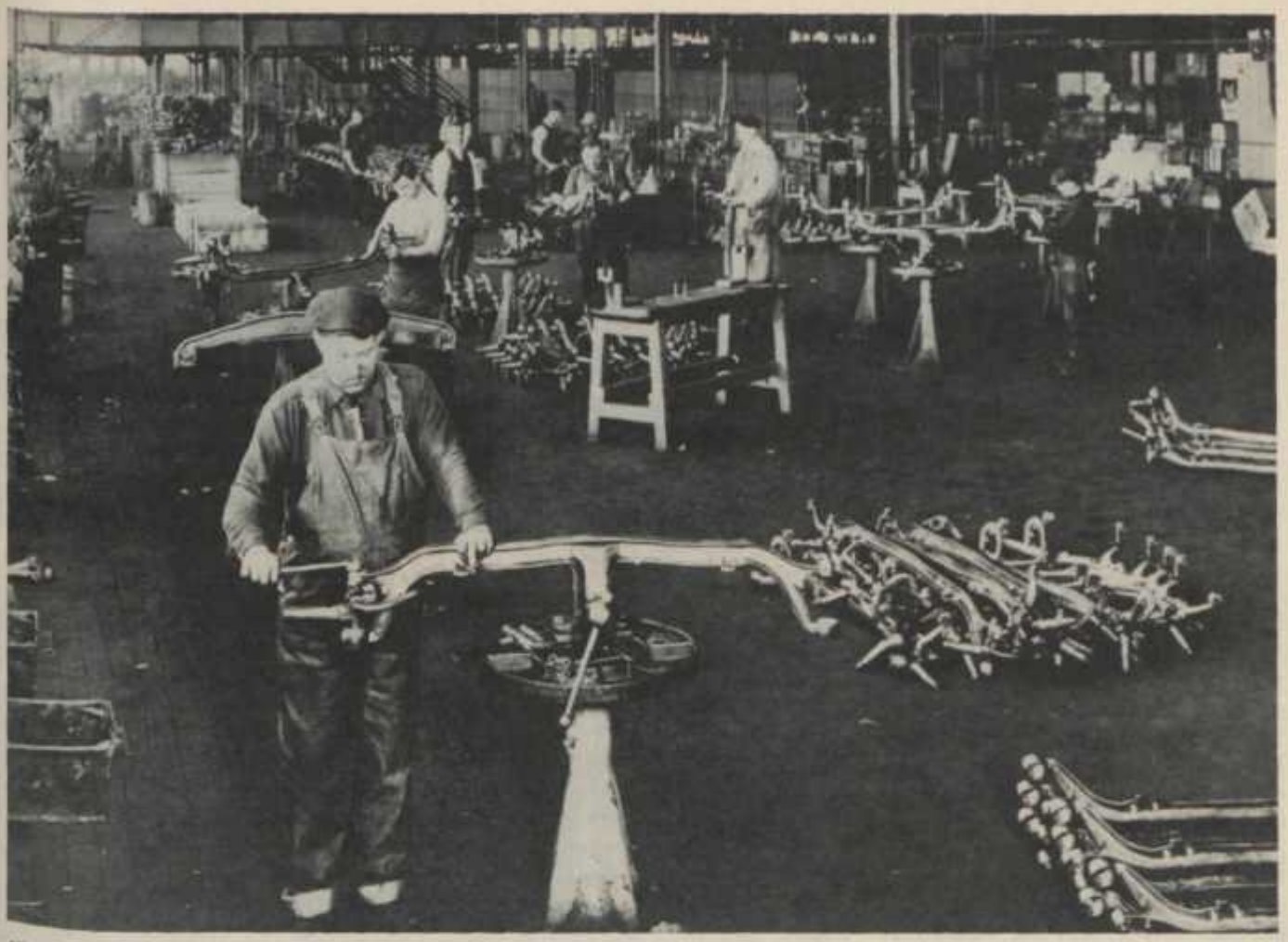
The company became Yale & Towne in 1883 and Henry Towne served as its president for an amazing 50 years.

Recognizing that axles, valves, transmissions, locks and lift trucks have no nationality, Eaton embarked on a program of international manufacturing in the late '50s. Today, it has manufacturing operations in 22 Free World nations.

About 28 per cent of the company's sales are generated outside of the United States. These operations are managed for the most part by host nation citizens along with a number of "third nation" managers, most of whom are not Americans. The products are made for the market served by each facility and are not imported into the United States.

We feel very strongly that the cooperation of men and women of many nations in attacking the problems of productivity and marketing will go much farther in assuring world peace and understanding than all of the diplomatic conferences of a century.

While it began as a supplier to the



"The highest quality products at the most economical prices in the most competitive markets." This picture was made in the Eaton Corp. axle plant in Cleveland in 1920—ancient times for the automotive industry.



Joseph Oriel Eaton headed his company until his death in 1949.

automotive and truck manufacturing industries, Eaton has expanded into many fields.

Today, industrial power transmission, construction and forestry equipment, and a wide range of materials handling systems and security systems for homes and business bear the mark of quality that Mr. Eaton insisted upon.

It is a tribute to his foresight that no car or truck made in the United States comes off the assembly line without some Eaton-manufactured parts in it. This is true also of a large percentage of cars and trucks produced outside this country. The average family car today has more than 100 parts and components manufactured by Eaton.

In 1971, the company was faced with a major decision—a name change. Known for five years as Eaton Yale & Towne, and by various other names prior to that, it had not succeeded in making its name, the scope of its activities and its role as a corporate citizen fully known to its many publics. There were many more irons in the fire and other directions to go.

In order to bring all activities and products to a single, readily recognized focal point, the company became Eaton Corp.

Our efforts today are designed to make that name one of the best known in the world.

If we do that, we think Joe Eaton, a onetime $8-a-week clerk who had a good idea, would be proud of us. END

HERTZ

From the Back Street to the Forefront



By Ronald J. Perman
Chairman and
Chief Executive Officer
The Hertz Corp.

Nowadays you're never too far from the ubiquitous yellow-and-black Hertz emblem, whether you're in the wilds of Uganda, the streets of Moscow or the canyons of Manhattan. The familiar insignia can be found in 103 countries around the world, usually in busy airports and business districts.

A half century ago, however, when the Hertz business started, you could only find the emblem in one city, Chicago, and on only one back-street garage at that.

What happened to the company that became No. 1 in the rent-a-car industry it virtually created is not just an example of getting there first with the most. The annals of American business are filled with forgotten names of pioneering concerns that just never made it. But Hertz made it big and today is a diversified equipment rental company, operating world-wide with a fleet of over 160,000 corporation-owned and licensee vehicles, and generating well over $500 million in annual revenues.

Hertz had its beginning in 1918 when Walter L. Jacobs opened a small rental business with a dozen used Model T Fords. The business grew, and in 1923 it was purchased by John Hertz and became part of his Yellow Truck and Coach Manufacturing Co. In 1925, the Hertz Drive-Ur-Self System was purchased by General Motors Corp.

The Hertz properties operated as a GM subsidiary until 1953, when they were sold to the Omnibus Corp., which up to that time had been a holding company for bus operations. Omnibus divested itself of the bus interests to concentrate on vehicle renting and leasing. It changed its name to The Hertz Corp.

Hertz' greatest period of growth began at that time, with a substantial extension of its activities, both in the United States and abroad.

In the early '20s the renting and leasing business wasn't yet booming. There were a small number of car rental concerns here and there, offering economy cars. But, in those days, most people didn't want anybody to know they were driving a rented car. They'd slink into the back-street garage and ask for "that black Model T with the banged-up right front fender I rented last week."

At that time, Hertz began to phase out the back-street image.

Soon its offices were located in high-rent business and residential districts, at train depots and even at the fledgling airports of the '30s. Then, despite the ravages of the Great Depression and, later, the shortages and priorities of World War II, the Hertz enterprise began to turn around the public's ideas about renting cars.

Nothing is stronger than an idea whose time has come—and Hertz began to cash in on the fact that its services were decidedly in tune with a nation whose mobility needs were rapidly expanding. The idea of using a car without having to own it—of paying for it only when you needed wheels—was beginning to appeal more and more to the automotive-oriented, convenience-minded public of the postwar era.

With the coming of high-speed transcontinental and transatlantic air travel, car rentals got a tremendous boost from the new "fly-drive" travel mode. Businessmen, and then vacationers, began to use planes for long-distance hops with rental cars waiting at destination airports for on-the-scene mobility.

Over these years, the Hertz organization consolidated its leadership position and pioneered innovations that motorists today take quite for granted. For example:

Hertz was the first to introduce what amounts to a "wardrobe" of vehicles to suit any purpose, offering for rent late-model cars in many sizes and models.

"Rent it here, leave it there" service—on a broad nationwide basis—was strongly promoted by Hertz

Service at airports made "fly-drive" feasible, as earlier depot service had made "rail-drive" a reality.

As early as 1926, Hertz took the bold step of introducing a rudimentary charge-card service. Thought too visionary at the time, this innovation was later broadened in the post-World War II era to a system in which, under its own credit card and through other cards it recognizes, Hertz service can now be charged by more than 25 million motorists in the U.S. alone.





Hertz was a half century old in 1968, when the above photo was taken to show the changes that the years had brought in what motorists rented from the company. Bottom photo: During the Florida land boom of the Roaring Twenties, the Hertz rental car lot in Miami looked like this to customers.

By the time the late 1950s rolled around, Hertz began a series of diversifications of several kinds designed not only to keep it No. 1, but by a wide margin.

With the advent of sophisticated electronic and solid-state data processing systems, the company put into use a variety of new and improved methods of handling reservations and billing on a world-wide basis, employing satellite relays and computers, and other wonders of our time. In the '60s, Hertz diversified into the construction equipment rental business and into vehicle parking services through its subsidiary, Meyers Parking System.

The company also entered the field of trade show and exhibit rentals and installation.

And, with experience garnered by doing business at hundreds of airports around the world, it recently went into hotel-motel management at the airport in Huntsville, Ala., and will do so again in several months at Jacksonville, Fla.

A subsidiary of RCA since 1967, Hertz functions with its own officers and board. It is steadily expanding its services across a broad geographic front and, as undisputed leader of one of the nation's vanguard service industries, it stands as an example of what innovating and planning can do for a company that arrives first on the scene, and not only stays around, but stays No. 1. END

JACK DANIEL

The "Little Ole Still" A Lot of People Came to Know



By Sam M. Fleming
Director
Jack Daniel Distillery

"If you've never heard of Jack Daniel's whiskey, so much the better. Its relative obscurity is part of its charm. Little knots of Jack Daniel's fanatics are to be encountered in all parts of the country and in all walks of life.

"They pluck at one's sleeve and whisper: 'Try some of this. It's made in a little ole still way off somewhere in the hills of Tennessee. The same family has been making it by the same secret process for nearly 100 years. It's expensive and hard to get, but no other whiskey in the world tastes quite like it.'

"The enchanting thing about this legend is that it is largely true."

This was how a writer described the Jack Daniel Distillery and its sippable product in 1951.

Jack Daniel's does have a distinctive taste, though it is made as most good bourbons are—of no other blessed thing than grain and water.

The difference comes from seeping just-made whiskey through 15 feet of finely ground, hard maple charcoal. The result is an unusually smooth potable, so much so that the federal government insisted in 1942 that Jack Daniel's could not be called a bourbon, but must be labeled "Tennessee whiskey."

Though not quite the oldest in years, Jack Daniel's is the oldest registered distillery in the United States. It was first under the wire when the registration law was enacted following the Civil War.

After the repeal of Prohibition, Lem Motlow reopened the distillery. At his death in 1947, his four sons (grandnephews of founder Jack Daniel) became the proprietors. Due to a remarkable word-of-mouth buildup that Jack Daniel's enjoyed during the '40s and early '50s, by 1953 the Motlows needed a professional sales manager.

Winton E. Smith was hired and given the job of expanding sales beyond the Southern states. While Mr. Smith was aware that Jack Daniel's had among its devotees such notables as John Nance Garner, William Faulkner and Humphrey Bogart, he recognized that the vast majority of Jack Daniel's customers were notable in another way—they appreciated good taste.

Expansion of sales nationally would require a carefully formulated marketing strategy because Jack Daniel's was very high priced when compared with other straight whiskies.

However, Mr. Smith sensed an opportunity.

He saw the taste patterns of the American consumer changing as the country emerged from the war years. Distillers of premium-priced bonded whiskies (100 proof) were slipping in their share of the market, while the lower proof, more popularly priced straight whiskies, along with Scotch and Canadian potables, all curved upward.

But Winton Smith was convinced that the fall-off of the 100-proof bonded whiskeys was not because of the higher price, but the high proof of the whiskey. The trend was to a lighter taste and Mr. Smith reasoned that Jack Daniel's, at the lower 90 proof, with its distinctive taste and mellowness, could exploit this change in consumer preference.

In 1953, with the help of the Motlow brothers, Mr. Smith set his goals and laid out the company's first marketing strategy.

It is interesting to note that strategy of those days appears to company executives to be valid in today's marketplace:

1. Never compromise the product's quality or change the method of charcoal mellowing that produces its unique taste.

2. Hold to the high unit price; don't discount to either wholesaler or retailer.

3. Advertising should always reflect the distillery's uniqueness and create an emotional involvement between the customer and the product.

4. Closely co-ordinate the advertising thrust with sales effort and maintain a consistency in the total marketing effort.

By early 1954 the company had established its distributor network and launched its first national advertising campaign.

Jack Daniel's sales increased far beyond expectations. Inventories were stripped and the company found itself with consumer demand far exceeding its ability to supply.

Whiskey, unlike most products, requires many years of aging before its maturity allows it to be moved to the market. For Jack Daniel's Black Label this means five years, for Green Label, four years. Therefore, an obvious revision in marketing strategy was required. Late in 1956, the company's advertising was adjusted to a format of "We'd rather ask your patience than lose your respect for Jack Daniel's."

In September, 1956, Jack Daniel Distillery was sold to Brown-Forman Distillers of Louisville, also a family company, which insisted that its new Tennessee acquisition be run autonomously.

Today, the demand for Jack Daniel's still exceeds the supply, even though the company has quadrupled production.

And its name and fame has spread far and wide. In 1971, Jack Daniel's marketed its products in over 90 countries, where devotees, like Prince Rainier of Monaco, enjoy their Tennessee whiskey. END



This is Jack Daniel himself, founder of a company whose product is so popular that demand exceeds supply.



The nation's oldest registered distillery got its start in this office in the hills of Tennessee. The firm is now part of the Brown-Forman empire, but Brown-Forman, also a family company, has insisted that it be autonomous. The government has ruled that Jack Daniel's, although similar in ingredients to bourbon, must be labeled "Tennessee whiskey."

KAISER

The Man Who Wouldn't Take No for an Answer



By Edgar F. Kaiser
Chairman of the Board
Kaiser Industries Corp.

Sixty-six years ago, Henry J. Kaiser saw an opportunity and wouldn't take No for an answer.

As a young man, he had answered the call to "go West" and in 1906 arrived in Spokane, Wash., looking for a new opportunity. He went to see James C. McGowan, who owned a hardware store. Mr. McGowan had no openings, and for two weeks tried his best to explain that to a persistent Henry Kaiser.

Finally, my father spotted a stock of tarnished silverware and offered to polish it up and sell it. Mr. McGowan agreed, not knowing my father would hire 30 youngsters to do the polishing. Once the silver was polished, he sold it, paid the youngsters and himself, returned a nice profit to Mr. McGowan—and was on the payroll.

Two years later, he was general manager of the store.

Our founder's spirit of optimistic perseverance—of looking beyond close-up hurdles to longer-term opportunities—became the guiding philosophy in the subsequent formation of the Kaiser family of companies. It lives on today to provide direction for our expansions and diversifications.

As a salesman for Mr. McGowan's store, my father called on contractors, became interested in the construction business and then left, at a 50 per cent cut in pay, to work for a company selling sand and gravel. From there, he joined a road building firm which submitted the low bid on a paving job in Vancouver, British Columbia, but went out of business before it could begin the work.

Listing a knowledge of road building as his only asset, Henry Kaiser went to see the president of a Vancouver bank and asked for a $25,000 loan so he could take on the job.

After hearing him out, the banker wrote a note to his cashier: "Please honor the credit of Henry J. Kaiser for $25,000."

My father posted the required bond, accompanied the bid with a cash deposit, and embarked on his first road job as his own boss. In those days, if we didn't have the equipment we needed for a job, we'd borrow it from a competing firm, operate it at night and return it by morning.

For the next dozen or so years, until 1927, we engaged in a succession of hundreds of little road jobs, with a few big ones mixed in. Then came a subcontract for $20 million to pave 200 miles of highway through the back country of Cuba. It was a great adventure, and a turning point in our history.

Cuba was the beginning of our heavy construction activities. It taught us the mechanics of mobilization and organization. We finished the job in 1930—a year ahead of schedule—and that performance provided the springboard for big dam building and beyond.

No single company, alone, was big enough to handle the Hoover, Bonneville and Grand Coulee dam jobs, so we banded together with other companies. Pitting teams of workers against each other, we developed a spirit of keen competition and beat the construction deadline by more than two years at Hoover, a year and a half at Coulee and a year at Bonneville.

We were only halfway through the Bonneville project when Pearl Harbor was attacked, and my father immediately began envisioning building ships for the war effort. While on the face of it, road and dam building seemed to offer little experience for building ships, techniques we had developed in materials flow, job simplification and management of large numbers of people provided a solid foundation. In time, we were turning out a freighter a day—and by the end of the war we had delivered more than 1,500 vessels.

The Grand Coulee project, and later the shipyards, gave birth to my father's proudest accomplishment: The Kaiser Foundation Health Plan.

Existing medical facilities were unprepared for the influx of our workers and their families, so we built our own hospitals and clinics to provide group, prepaid medical care. Workers and their wives each paid seven cents a day and 25 cents a week for their children for practically unlimited medical and hospital care.

In the years since, the health plan has opened its membership to the public and, with more than two million members, is the largest nongovernmental health care delivery system in the United States.



During World War II, Kaiser turned out an oceangoing freighter a day. No one, least of all Hitler, ever thought such a thing possible.



Henry J. Kaiser (second from left) makes an inspection of the Hoover Dam in the mid-1930s.

Shasta Dam, a contracting job we didn't win, got us into the cement business. After we and our partners bid unsuccessfully on the overall construction contract, Kaiser alone decided to try for the job of supplying nearly six million barrels of cement and more than 11 million tons of sand and gravel.

We were low bidder, but we had no cement plant. So we built one, bringing it into production just seven months after breaking ground.

In addition, we had to build a gravel plant and a 10-mile conveyor belt to deliver the sand and gravel to the dam site.

We entered the steel business, initially, to meet our wartime shipyard needs, and we diversified into aluminum, in part, because of pent-up demand for automobiles and the shortage of steel which was plaguing that industry in the postwar years.

Looked at alone, our decision to compete in the automobile industry produced a setback, and the resulting $100 million of red ink posed a serious financial threat. But lessons had been learned at Willow Run, management potential had been developed and we had moved aggressively into aluminum—which would become our largest single business.

Further, the need to dispose of surplus tools and dies launched us into productive automotive partnerships in Brazil and Argentina.

This experience, of working in partnership with foreign nationals, laid the groundwork for international expansion by all our major businesses until today we operate in 23 countries overseas.

In recent years, we have diversified into such areas as nickel production, international commodity trading, broadcasting, coal, mineral exploration, shipping, real estate and land development.

Always there have been short-term problems—hurdles that needed to be cleared. But Henry Kaiser, who in 1906 wouldn't take No for an answer, had a saying that "problems are only opportunities in work clothes."

That philosophy continues to guide our growth into the challenging markets of the '70s and beyond. END

MASONITE

That Wonderful Leaky Valve



By John M. Coates
Chairman of the Board
Masonite Corp.

William H. Mason, an engineer and inventor who worked with Thomas A. Edison, was trying to find new and useful products from sawmill wastes.

With financial backing from a group of Wisconsin lumbermen, he had already discovered a system for producing wood fiber economically.

Working on the theory that wood chips could be exploded into separate fibers, he had developed, at a cost of $37.50, a small "gun"—a hollow steel cylinder permanently sealed at one end. He filled it with wood chips and water and closed it with a tapered steel plug, then raised the pressure inside by applying heat with a blowtorch. When the plug was released, wood chips exploded from the gun in the form of individual wood fibers.

Soon Mr. Mason was working on development of a salable product from the fibers, and was having some success producing an insulation board on a small experimental press.

However, the real breakthrough came when a small steam valve picked just the right time to spring a small leak.

Pausing for lunch during an experiment, Mr. Mason closed the valve used in the pressing of "wetlap"—a thick slurry created from exploded wood fibers and water. While he was gone, the valve failed. When he returned from lunch, Mr. Mason found he had just invented what he called "pressed wood."

Steam, pressure and time had transformed the fibers into a dense, hard, grainless solid.

The Wisconsin lumbermen recognized the potential of this "wood made better" that would not split, splinter or crack, and increased their investment to finance a larger venture. The invention of hardboard, as it came to be called, led to formation of the Mason Fiber Co. in Laurel, Miss., in that year—1924—and four years later, the company became Masonite Corp.

Construction of the first factory, designed to produce both insulation board and hardboard, was started in Laurel, in October, 1925. It began operations in 1926, using machinery designed by Mr. Mason and constructed to his specifications.

Under his brilliant technical direction, both the quality and quantity of production increased rapidly during the late '20s. Mr. Mason achieved a smooth attractive surface finish on the hardboard by chrome plating the platens, and eliminated water-spotting by placing the wetlap on thin wire screens that allowed water to escape from the presses.

A way to increase the strength of the board even more came when Mr. Mason discovered a way to impregnate the product with thermal-setting liquids and then baking it. He called it tempering.

Both the insulation board and the hardboard products found a rapidly expanding market. So great was the demand that the directors voted to double the plant capacity in 1927.

When the name of the company was changed to Masonite Corp. a year later, its management was reorganized, with Mr. Mason concentrating on research and technical development while others took up the general management and merchandising duties that were expanding rapidly in the growing firm. In his research capacity, he worked hard and successfully until his death in 1940, earning a stream of patents for the corporation.

By 1939, production at the Laurel plant had been expanded to 30 million square feet of board per month. In addition to the mill at Laurel, other plants were producing Masonite's hardboard under license in Sweden, Italy, Australia and Canada. Five years later, Masonite's corporate assets were in excess of $16 million and annual sales were more than $18 million.

Masonite's headquarters were moved to Chicago in 1935, and the company moved to the Masonite Building on Wacker Drive in 1962.

Last year, the corporation announced a massive expansion program that will increase hardboard production to 2.5 billion square feet annually. It will double the capacity of the Towanda, Pa., plant and increase overall production by one third when fully operative later in 1972.

At this time, 48 years after the faulty valve turned out a hard, dense, dry piece of grainless board, Masonite

Corp. has properties that include three domestic hardboard plants, two plants for producing plastic-finished hardboard, a particle-board plant, four fabricating plants, nine sawmills, 10 regional distribution centers, 30 sales offices, a research center, interest in 80 oil wells and approximately 500,000 acres of timberland.

The hardboard that Mr. Mason discovered has been improved and refined to the point where it constitutes several hundred products by itself and has literally thousands of uses in residential and commercial construction, and in business operations.

To the average homeowner, Masonite Corp. is known best as the manufacturer of a broad range of excellent home and apartment siding products and predecorated interior wall panels for every room in the house.

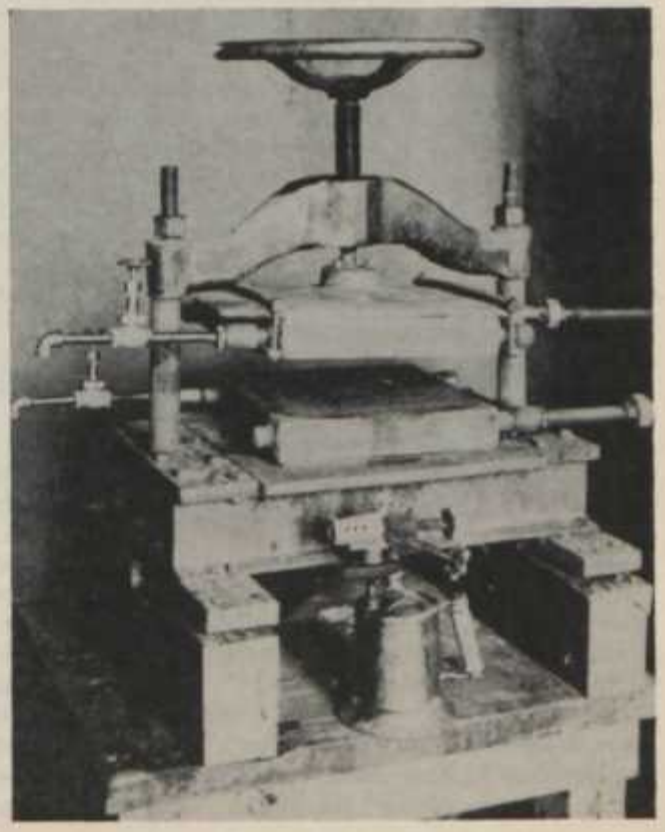
Masonite Corp. combined Mr. Mason's inventive genius and the ingenuity of his co-workers with the financial backing and business guidance of successful lumbermen to create a new industry based on the ideal of maximum utilization of the harvested trees. In doing this they successfully made the transition from the virgin pine era to the modern tree-farming age. END

Masonite inventor William H. Mason.





The machinery in these two pictures, circa mid-1920s, went nature one better by exploding wood and forming a material which would not split, splinter or crack. It's called Masonite, now. Wisconsin lumbermen backed the inventor, who once worked with Thomas Edison. The first manufacturing plant was at Laurel, Miss.



MAX FACTOR

Women Are the Same the World Over



By Alfred Firestein
President
Max Factor & Co.

It was a gray, misty morning in December, 1935, when a young American business executive walked briskly down the ramp from a twin-engine plane and set foot on French soil for the first time.

Inside the airport terminal, he stood in line for the usual immigration processing. Quickly satisfying the official that his passport was in order, he moved across the hall for customs inspection.

There, an official wasted no time in passing on the contents of all but the last piece of luggage. His experienced hand pulled out several bottles and jars bearing foreign labels.

"What are these?" he asked.

The American smiled. "Cosmetics," he said. "Cosmetics?" the officer repeated, looking more closely at one of the labels. He turned the bottle around and placed it on the counter beside the others.

"What is your name?" he asked.

"Factor. Davis Factor," the young man said.

"My father is Max Factor. We manufacture cosmetics in the United States and I am here to open a branch of our company in Paris. We intend to sell our cosmetics in France."

A look of disbelief and utter amazement came over the custom official's face. He studied the American for a moment, then started to laugh.

"Sell American cosmetics in France!" he exclaimed. "Why, that's preposterous. You wouldn't stand a chance." The young man shrugged.

"You may be right," he said, "but I don't think so. Women are the same the world over and we have something every woman wants. Women in the United States want it and so will the women of France."

Another man might have been more easily discouraged, but Davis Factor, as the administrative head of Max Factor & Co., had been doing unpredictable things in business ever since he began working with his father after school and on Saturdays.

Many astute businessmen had tried to dissuade him from his plan to have the relatively unknown United States cosmetics company open a branch in France. He had not heeded their advice in these Depression days of the middle '30s and he was not about to be influenced in any way by the customs official.

Today, as chairman of the board of our company, which is now in its 62nd year of manufacturing feminine aids to beauty, he often thinks back to that December morning in Paris and smiles.

The phenomenal success of Max Factor—not only in France, but throughout the world—is legendary. It is one of the best-known and most respected business names in the 144 countries where its products are sold. In 20 of these countries there are company-owned branches or subsidiaries, such as in France.

Sales of $187.5 million and earnings of $16.5 million in 1970 established new records for the fourteenth consecutive year. Almost half this volume and profits came from countries outside the United States. Growth abroad has an even greater potential than in the United States.

And it all began because of the vision and persistence of the young man who looked to foreign countries for expansion, just as his father before him had gone west to California to seek fame and fortune.

No reference to the great moments or great men in the history of our company, of course, would be complete without mention of its founder.

Max Factor was born in Russia, Aug. 5, 1877. As a boy, he was extremely poor. His first connection with the world of business was selling newspapers at the age of seven. Twenty years later, after serving his apprenticeship as a wigmaker and cosmetician, he immigrated to the United States with his wife and three children.

Although he knew little English, he opened a perfume, hair goods and cosmetic shop at the St. Louis World's Fair in 1904. He moved to California in 1908 and started a small makeup and wig business in downtown Los Angeles. Almost from the beginning it was successful, and down through the years Max Factor made many notable contributions not only to his company, but to the entire cosmetics industry.

Among a long list of innovations, he originated the first makeup for motion pictures and was recognized



for this achievement with a special citation by the Motion Picture Academy of Arts and Sciences.

He is credited with having created the fundamental art of makeup application as women know it today. He was the first of the professional makeup artists and is acknowledged in the industry as having brought this art to its present state of perfection.

Many of Hollywood's foremost makeup men received their early training from him.

Max Factor created the first makeup packaged in tubes. He originated the eyebrow pencil, the face powder brush, the lipstick brush, lip gloss—and Erace, the first cosmetic cover-up. He patented his creation of hair-lace wigs for women and hair pieces for men that enabled the wearer for the first time to have a realistic, natural-looking hairline.

He coined the word "brownette" to classify those women who have brown hair that is in between the shades of blond and brunette. He developed a totally new kind of beautifying product, later to be known as Pan-Cake Make-Up, which was the forerunner of all present-day fashion makeup and still enjoys widespread popularity.

These are only a few of Max Factor's personal achievements, but there were many more before his death in 1938. He, and others, changed the course of our business, which is as dependent upon change and innovation as the whole world of fashion it complements. END



Max Factor came to America from Russia 75 years ago and set up a classic example of a family business. He knew little English but he did know women want to be beautiful. After running a cosmetics shop at the 1904 St. Louis World's Fair, he moved to Los Angeles and started another small store. Today, his company operates in 144 countries. Top photo: Mr. Factor (left) inside the Los Angeles shop with sons Max Jr. (center) and Davis. Below: the store's exterior. Max Jr. is now the firm's vice chairman. Davis is board chairman.

MONTGOMERY WARD

A Century of "Satisfaction Guaranteed"



By Edward S. Donnell
President and
Chief Executive Officer
Montgomery Ward & Co

The consumer is first.

That simple philosophy of business, in effect at Montgomery Ward since 1872, remains its guiding corporate policy as it begins a second century of service.

Today, Montgomery Ward is a fast-moving, growing organization committed to the improvement of life styles of American families. Its sales in 1972 will pass the $2.5 billion mark and expansion is continuing—about $80 million was invested in store expansion and capital improvements in 1971 with the same amount scheduled for 1972.

It wasn't always this way, however. Ten decades ago one man staked his life's savings on the radical idea that people could be persuaded to buy products through the mail, sight unseen, by pledging: "Satisfaction guaranteed or your money back."

For the first time, a merchant had pronounced a philosophy designed to protect the consumer. And Aaron Montgomery Ward's assault on the historic credo of "caveat emptor" was successful.

He believed the consumer should have quality products at reasonable prices. Rural America responded.

When Mr. Ward began his business, more than half the nation's population lived on farms and in farming communities, and their principal sources of goods were the general store and the itinerant peddler. He provided thousands of families with another source from which they could fill their needs: Buying by catalog, middleman profits were eliminated, enabling consumers to obtain products inexpensively by mail.

Business flourished and Mr. Ward noted: "The people of this country are not such fools as some merchants and manufacturers seem to think they are."

The new company expanded, and the one-page catalog sheet became a catalog book. In many homes, it was the only illustrated book to be found. Children even learned to read from it. In less than a decade, sales were $1.8 million.

A new industry had been launched: An innovative industry that profoundly influenced the life styles of millions of American families.

As the nation's frontiers were conquered and settled, consumer demands became more sophisticated. Calico was replaced by linens and silks and in 1897 the company opened its New York buying office to be close to the changing world of fashions.

Mr. Ward was a master at using the personal touch. In reply to a letter asking why customers in Nebraska were not buying by catalog, a Holdredge, Nebr., housewife wrote telling of years of drought, no money and "expecting the stork to visit us soon."

Years later another letter arrived from the same woman. "I have a son 25 years of age who was named after your firm. We received a box of dainties such as one appreciates at such times, and a baby carriage. Hence the boy's name—Ward, the only son I have."

Development of a chain of retail stores was the next revolutionary step in the company's development.

Merchandise exhibits were opened in 1926 so buyers could see what the catalog had to offer in person—but these items in the stores were not to be sold. That is, until one day, an insistent farmer demanded he be sold a saw on display. When a company official finally gave in, a chain reaction set in, bringing in hundreds of customers who literally cleaned the shelves of merchandise, buying everything in sight.

The results of this particular incident were so encouraging that management proceeded to open new retail outlets—slowly at first, then at breakneck speed. Ward's first store was at Plymouth, Ind. By the end of 1929 there were 517 Ward retail stores. Then came the big Depression and a halt to expansion programs.

In 1931, three out of four Ward stores were losing money. Sewell Lee Avery was brought in as chief executive officer to save the company from bankruptcy. His moves reversed a four-year declining sales trend and produced a modest profit in 1934. In 1935, he removed the brakes from expansion programs and during the next seven years opened 178 new stores.

His confidence and determination are credited with bringing the company safely through the '30s. The


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And Georgia has prepared him to do it. With 25 technical training schools preparing thousands of skilled people for industry. Free.
There's so much to tell about Georgia, we're eager to pull all the profitable facts together for you. Including all the details about our "Quick Start" technical training program, and our "Manpower Matchmaker" service that gives you up to date labor supply infomation on 400 Georgia towns. It's all available free. Just send us the coupon. We'll give you the facts.
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Before you consider opening a new warehouse, consider closing it.

Pouring concrete for a warehouse can get you in a market area so solid that you lose the flexibility to move when things change.

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THE OTHER VIRGINIA BEACH

People

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It's a productive labor force, too. Because our people work like there's something to live for.

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The other Virginia Beach is transportation. We're within overnight reach of 80% of the U.S. population. By interstate. By air. Or by rail. And we're next door to the world's largest natural harbor.

Education

The other Virginia Beach is education. 36 elementary and 10 secondary schools. Nearby colleges and universities. And a new Vocational and Technical Center under way.

We can even work with the state Community College system to devise a cost-free training program geared to your corporate needs.

Space

The other Virginia Beach is a community with so much land area we have only 675 people per square mile. And plenty of available plant sites.

Cooperation

The other Virginia Beach is cooperation. Our Chamber of Commerce's Committee of 100 and the Virginia Beach Industrial Development Authority are ready to help you in any way possible.

For more information, write or call Jim De Bellis, Department of Economic Development, Municipal Center, Virginia Beach, Virginia 23456. Telephone 703/427-4541.

VIRGINIA BEACH INDUSTRY



In the 1890s, no advertising or sales promotion was any better than sending horseless carriages around the country. Salesmen carried catalogs in these battery-driven cars.



Aaron Montgomery Ward believed, a century ago, that people would buy by mail. How right he was.

same grit and single-mindedness also carried him through a now historic battle with the U.S. government. When he refused to surrender the company to federal control during a World War II labor dispute, President Roosevelt ordered the company seized and National Guardsmen physically carried Mr. Avery from the building.

A decision of Mr. Avery concerning postwar economics is now a classic in business history. He had successfully predicted the great Depression of the 1930s, and he was convinced another and more devastating depression would follow World War II. As a consequence, he ordered managers to pull in their belts, and canceled expansion plans.

While competitors went ahead with aggressive growth plans, Ward sat on cash and government securities reserves of over $325 million and steadily lost market position, personnel and momentum.

Ward's wealth tempted a youthful industrial figure, Louis E. Wolfson, whose interest was acquisition of vulnerable companies with sizable liquid assets. In August, 1954, Mr. Wolfson launched a proxy campaign to obtain enough shareholder votes to replace management. A nine-month battle ensued, climaxed by a stormy stockholder meeting in Chicago on April 22, 1955.

While Mr. Wolfson won three of nine seats on the board of directors, he failed to gain control of the company. The fight had exhausted Mr. Avery, however, and on May 9, 1955, he resigned. For the next five years, John Barr, the attorney who guided management's proxy battle to victory, served as chairman and chief executive officer.

The '60s are known as the "turnaround years" at the company, and the man who planned and motivated the building of a new, aggressive national retail chain was Robert E. (Tom) Brooker.

When Mr. Brooker accepted the top job at the company in 1961, he was confronted by sharply declining earnings, strained resources and sagging morale. He attracted experienced mass merchandising executives to revitalize and to rebuild the facilities, systems and management organization.

From a company with 562 obsolescent, small town stores, and a burdensome, manually operated mail order system, Montgomery Ward has transformed itself into a modern chain in which 256 new full line-department stores in urban areas account for 85 per cent of retail sales and 94 per cent of retail profits.

In all, Ward's distribution system now includes 475 retail stores and 1581 catalog stores and sales agencies.

Newness provides a strong base for the years ahead at Montgomery Ward. While 55 per cent of our stores currently are new, this figure will rise to 83 per cent by 1977. Total selling space will increase 45 per cent in the next five years and sales per square foot will increase from a current $76 to $100 in 1977.

In the future, we look for more self-service packaging and computerized picturephone catalog shopping in the home. Yet, even as we move ahead into the '70s, with all the anticipated mechanical improvements in retailing, we daily reaffirm Montgomery Ward's 100-year credo of "satisfaction guaranteed" as the best protection for all consumers. END

NORTH AMERICAN ROCKWELL

The Anatomy of a Merger



By Willard F. Rockwell Jr.
Chairman of the Board
and Chief Executive Officer
North American Rockwell Corp.

Constant commuting by air between plant cities is hard on the digestion, but it does give a business executive a chance to catch up on his required reading.

One afternoon early in 1967, about 12,000 feet over the snow-covered Ohio landscape, my reading habit paid off by sparking a $2.5 billion marriage.

An article in a business magazine disclosed that Lee Atwood, president of North American Aviation, Inc., wanted to acquire a commercial business to lessen his company's almost total dependence on government contracts.

Mr. Atwood said that an ideal acquisition would be a capital goods company with a good market position, a company that would fit with the space, missile, electronics and high speed aircraft technology of North American Aviation.

It seemed, as I read the article, that he was doing everything but spell out the name of our company—Rockwell-Standard Corp.

We'd spent about 46 years building a $635 million company, one of the nation's largest independent suppliers of automotive components—brakes, axles, springs and bumpers for trucks and autos.

And we'd pioneered in diversification, moving over into filter products, bearings, gears, civilian aircraft and textile machinery. In fact, we'd completed almost 30 mergers—and that was well before the word "conglomerate" had begun to lift eyebrows.

But North American Aviation was different both in size and in products. We at Rockwell-Standard were earthbound in the durable goods field; they were reaching for the moon.

North American was one of the giants of aerospace, doing about $2 billion in sales each year. It had a world-wide reputation for the excellence of its high-speed military aircraft.

In the nation's intercontinental ballistic missile program, it had a leading role both in propulsion and inertial guidance systems. Its electronic expertise was stamped on airborne computers, in the Minuteman missile, on naval surface ships and in the Polaris nuclear submarines.

But perhaps the most publicized of its activities was its prime contractor role as builder of the Apollo three-man spacecraft.

I've been a science bug all my life, and these space activities fascinated me. Everything I knew about North American fitted into Rockwell-Standard plans for future expansion.

We were tied too closely to the automotive business, prospering with rising passenger car and truck sales—and suffering with them when they declined. We needed to move into expanding fields in order to smooth the peaks and valleys of company business.

Twenty years of close study of the durable goods market had convinced me that, within the next decade, vast segments of the industry would be deeply influenced by electronic automation. North American Aviation appeared to have a tremendous reservoir of that expertise.

Our company plane had barely rolled to a stop at the hangar in Pittsburgh before I was on the telephone talking to Lee Atwood. The next afternoon I was sitting in his office just across from busy Los Angeles International airport.

Lee told me they used a computerized input-output model of the economy that was one of the most advanced in the United States. From it they compiled a list of the most desirable potential merger or acquisition partners—and Rockwell-Standard was high on the list of eligible partners.

That made our opening meeting a lot easier. From then on Lee and I were together many times.

The actual negotiations on important terms and conditions took place almost exclusively between Lee Atwood and myself. There were no batteries of assistants around during those quiet hours in his office in Los Angeles and mine in Pittsburgh.

We sat across from each other with note paper and pencil. There were no feverish phone calls such as you see in the movies, or cliff-hanging moments waiting for a telegram—or any of that nonsense. We just talked it out.

Of course, while Lee and I were talking, there were scores of briefings





The history of North American Rockwell includes mighty contributions to our conquest of our foes in World War II and to our more recent conquests in space. North American Aviation's twin-engine B-25 "Billy Mitchells" (under construction above) were mainstays of the U.S. bomber fleets over both Europe and the Pacific, and made the first Tokyo raid, with Jimmy Doolittle leading the way. The company also was prime contractor for the building of the Apollo spacecraft, whose climactic achievement was the Apollo 11 mission which brought men to the surface of the moon for the first time. (The mission's insignia is at left.)

going on among our executives, investment bankers and lawyers.

As much as possible, those executives tried to visit all the plant sites involved. It was a tremendous task involving more than 100 different plants in 26 states. There were overseas facilities to be checked also.

Few people realize the staggering amount of detail involved in a planned, thoughtful merger of two major corporations.

We had a suitable gestation period of approximately nine months, and the outcome, in September, 1967, was $2.5 billion North American Rockwell.

We've had more than four years to assess the results and nearly every one of my hoped-for goals has been realized.

We did mesh the two companies beautifully. Today we operate in four market areas—aerospace, automotive, electronics and industrial products.

We've demonstrated conclusively that it's entirely feasible to transfer aerospace technology to the industrial product areas.

For example, our textile machinery division's introduction of a new knitting machine involved electronic systems design and manufacture, pattern analysis and computer programming—a direct input from our aerospace activities.

We build the Mark V printing press, the most advanced piece of printing machinery available to the newspaper industry incorporating space-age miniaturized integrated circuits.

We have other examples like this, but they're just the beginning.

The chance moment when I read the article aboard that airplane five years ago started something that's going to influence our corporate life throughout this coming decade.

END

OUTBOARD MARINE

The Birth of a Notion



By Robert H. Scott
Vice President
Outboard Marine Corp. and
Manager, Evinrude Division

Within Evinrude Motors, a division of Outboard Marine Corp., our key management group almost subconsciously adheres to a motto whose words could be the lyrics of a lighthearted melody. The words reflect the atmosphere in our organization, according to many people in the boating community: "Fun is our business—our business is fun."

We owe that atmosphere, basically, to Ole Evinrude, who founded the company in 1909 and is generally conceded to be the pioneer developer of the outboard marine motor.

Few men have had so far-reaching an effect on recreational boating as Mr. Evinrude. This is an industry which now accounts for more than $3 billion spent at retail annually. Our own company, Outboard Marine, has annual sales of more than $300 million.

Some of the world's early outboard marine engines were of bizarre design. Bicycling was popular here and abroad in the 1800s and many early engines made use of pedals, sprockets and chain drives. Some were pedal-pushers—literally driven by foot power. Others were hand-cranked.

One Danish inventor devised an engine whose shaft imitated the propelling action of a fish's tail. Its major drawback lay in the fact that there was no practical manner of harnessing power from inside a boat to this finny appendage.

A Frenchman, Gustave Troube, scored a breakthrough with an electric outboard motor in 1881. Eleven years later, a Parisian, Alfred Seguin, developed a gasoline engine that was mounted inboard and had a stern drive lower unit.

These innovative attempts at marine engineering had a heady effect on Ole Evinrude, whose family came to this country from Norway when he was five years old.

The Evinrudes had settled in Jefferson County, Wisc., where Ole's father, Andrew, was determined his son would be, like himself, a farmer.

Young Ole was adept with tools and not at all inclined to life on a farm. He also liked boats, a fact that dismayed his father. For weeks, the boy spent evenings and weekends secretly building a sailboat behind the barn.

When Andrew discovered his son's handiwork, he took an ax to the boat, reducing it to kindling. This, he said, was certainly not fitting work for a young farmer. The action was a blow to Ole's pride, but it didn't deter him.

In a woodlot, well out of harm's way, he built a second boat, and eventually convinced his father that this was what he wanted to do in life. He had a lot to learn, first.

When he was 16, Ole left home and got a job with a farm machinery manufacturer in Madison, Wisc.

This was 1893 and Ole earned 50 cents a day sweeping up the factory and pushing carts. He also carried buckets of beer from a local saloon to the machinists. But mostly he learned. He asked questions, probed and finally talked a foreman into letting him try his hand at assembling, then at running a drill press and a lathe.

Ole was good at his job, and soon was working 10 to 12 hours a day. At night, he went to the Madison library where he taught himself mathematics. He learned all he could about toolmaking in Madison, then left for Pittsburgh to learn about steel. Chicago was next, where he became a toolmaker, and later, a master patternmaker.

Then in 1907, in a Milwaukee pattern shop, Mr. Evinrude designed and built a gasoline engine with a horizontal cylinder, a vertical crankshaft and a drive shaft that changed gears in a lower unit.

It was the basic design for an outboard motor that has more than stood the test of time and innovation. Today, even after 65 years, the principle Ole developed is still being followed world-wide in the manufacture of gasoline outboard marine engines.

Mr. Evinrude and a girl named Bess Cary, whom he later married, enjoyed his first motor.

On weekend picnics, the two would putt-putt about on Wisconsin lakes in a rowboat powered with the two-cycle, single-cylinder air-cooled contraption. Bess called it "Ole's coffee grinder."

Mr. Evinrude built 10 of these engines by hand. They weighed 62 pounds each and sold for $62. Each engine developed 1½ horsepower. It was a start.

Then Mr. Evinrude opened shop for

himself and Bess signed on—although without the official titles—as office manager, head of customer relations and director of advertising. It was in this period that Bess, in a burst of creativity, wrote an advertisement that was to appear in magazines nationally: "Throw Away the Oars—Buy an Evinrude Detachable Rowboat Motor."

Mr. Evinrude's new venture followed by two years the start of a company headed by Cameron B. Waterman, which successfully built outboard motors for a 10-year period. While Mr. Waterman was first to manufacture in this country, it was Mr. Evinrude who had the staying power and remained in business over the years.

The Evinrude company, starting as a husband-wife operation, was a team effort. It remains one today, with Ralph Evinrude, son of Ole and Bess, as chairman of Outboard Marine Corp.

Ole Evinrude's engineering genius was responsible for many further design improvements, such as the first underwater exhaust through the propeller hub and the first all-aluminum engine housing.

Today, more than seven million outboard marine motors are in use throughout the country. When one acknowledges the benefits in water recreation—fishing, skiing and cruising—it's readily understood why we say: "Fun is our business—our business is fun." END



This is one of Ole Evinrude's "coffee grinders," which propelled him to business success. Earlier outboard marine engines involved pedals, sprockets and chain drives. One even used fishtail-like action.



Ralph Evinrude, chairman of Outboard Marine Corp., is the son of Ole and Bess Evinrude.

PHILIP MORRIS

Discovering "Marlboro Country"



By George Weissman
President and Chief Operating Officer
Philip Morris Incorporated

In the tobacco industry, 1954 was a year of momentous decisions. As the cigaret health scare erupted, every tobacco company scrambled to meet the consumer mood for filters. No one could foresee that they would become the dominant factor in the cigaret business. The future was uncertain for all the tobacco giants as they faced the drastic transition.

At Philip Morris, all our products were nonfilters and sales had taken a sharp decline. As assistant to the president, O. Parker McComas, I had made a special study of the situation and in a 30-page report I urged that we develop a popular-priced filter tip, using modern tools of management—market research and sophisticated product development.

Mr. McComas, a big, shaggy ex-banker who felt the tobacco industry was too tradition-bound, created a development team and gave us his unreserved support.

That year we acquired the Benson & Hedges Co. While it included the successful Parliament filter brand, far more vital was the company's rare know-how in filter technology.

Although the primary, pivotal decision was to go into filters (despite surveys indicating people then regarded them as "sissy"), we considered it equally imperative to proceed with utmost care and deliberation, giving the project ample time, even at the risk of coming out too late in the market. Other companies, already plunging into filters, were making great gains.

For well over a year we surveyed, studied concepts, and tested names, tastes, packages and advertising, as we conducted market research in a depth we had never before attempted on a new product.

Astonishingly to outsiders, our choice for the "new" filter cigaret turned out to be the little-known but durable Marlboro. For half a century, ever since Philip Morris emerged as an American corporation, Marlboro had been kicking around.

The origins of our company go back to an enterprising London tobacconist, Philip Morris, Esq., a popular Bond Street purveyor of pipe tobaccos and cigars. In the 1850s he capitalized on the sudden taste for "Russian-made" cigarets, forerunner of our modern types. Gradually he attracted a choice clientele for his choice cigarets.

As demand for Philip Morris brands took hold in the U.S., Mr. Morris appointed a New York importer, Gustav Eckmeyer, as his sole American agent. At the time, only half a dozen major companies were in the business of turning out the fragile tobacco rolls. Sensing a great future for the Philip Morris brands, Mr. Eckmeyer, in 1902, helped form the U.S. corporation in New York. Philip Morris & Co., Ltd., was capitalized at $125,000.

Listed among the company's assets was a modest brand named Marlboro.

In 1954, Marlboro was known chiefly as a premium-priced ladies' cigaret, gold- and red-tipped, "mild as May," its white package bearing a feminine script. Sales were quite small.

We needed a completely fresh approach. With a new full-flavored tobacco blend and a new strikingly designed package (the revolutionary flip-top box) we boldly converted Marlboro into a masculine cigaret. Tests told us that "Marlboro" had a virile ring, easy to pronounce in almost any language.

How to merchandise Marlboro?

Beginning in 1933, our most innovative advertising campaign—for the brown-packaged Philip Morris cigaret—had revolved around Johnny, the genial, diminutive bellboy, and his "Call for Phil-lip Mor-rees!" Johnny became the living symbol of that brand. In five years he did much to move it up to the fourth position in national sales.

For Marlboro advertising, after a thorough search, we selected the Leo Burnett agency.

It was a Burnett copywriter who suggested the American cowboy to personify the brand. In his pressure-free environment, the cowboy stood as a symbol of the simple life, the free soul with peace of mind. His universal appeal cut across all class lines. The legend of the West was dramatized as Americana.

Men in the ads were not professional models.



Philip Morris is a top-grade American company today, but its origins lie with a tobacconist in London, Philip Morris, Esq. Here is an early headquarters of Mr. Morris' company, on posh Bond Street.

Smokers were impelled to settle back in Marlboro Country, which emerged as part of the American idiom. The musical jingle, "You get a lot to like with a Marlboro—filter, flavor, flip-top box," proved both humable and memorable.

Yet we were fully aware that advertising, particularly for the flip-top box, could at best sell only one pack per person. The new Marlboro had to have the taste people wanted; the product itself would count in the long run. Significantly, the brand has succeeded in areas, such as Italy, where it carried no advertising at all.

Spearheading the project was Joseph F. Cullman III, then head of marketing and currently the 59-year-old chairman of the board and chief executive officer. Literally raised in the tobacco world, in the family-owned Benson & Hedges and Webster Cigar companies, he had worked as a retail salesman while still at Yale, trained in a pre-Castro Cuban cigar factory, knew every phase from leaf-growing and manufacturing to marketing, his specialty. He had joined Philip Morris in the Benson & Hedges merger. It was Mr. Cullman who called the shots at every stage of Marlboro's upsurge.

Our all-out Marlboro venture quickly hit the high road to success. That first year, with limited production and markets, the brand sold out as fast as it could be made. The second year, sales nearly tripled, to 14 billion cigarets. By 1960, volume rocketed to nearly 22 billion. Last year more than 62 billion were sold as Marlboro became the second most popular brand in the U.S.

Today, Marlboro is the leading American cigaret internationally. Certainly the Marlboro trademark now represents the biggest asset at Philip Morris, more than our plants, bank accounts and leaf tobacco.

Since 1957, Philip Morris Incorporated has also diversified, now encompassing companies producing beer, chewing gum, shaving products, homes, packaging, paper, adhesives and specialty textile chemicals. Still, the keystone of our operation is the tobacco business.

The Marlboro venture in 1955 reinforced our staunch belief that for a product to gain ascendancy it must primarily meet consumer needs —and that it takes time, research and vision to do a creative job effectively. History has proved us right. END

PPG

The Unlikely Alliance That Produced Success



By Robinson F. Barker
Chairman of the Board
PPG Industries, Inc.

Before 1883, virtually all the plate glass used in the United States was supplied by European glassmakers. Twelve American corporations, the first formed as early as 1850, had attempted to manufacture plate glass for the growing market. All failed—some because of technological inexperience, others because of inability to compete with lower-priced glass from Europe.

The Pittsburgh Plate Glass Co. was the thirteenth to attempt to establish a plate-glass industry in America. And it was a technological and financial success from its incorporation in 1883, due to the talents of two diverse personalities—John Pitcairn, a conservative Pennsylvania Railroad official, and Capt. John B. Ford, a freewheeling entrepreneur.

Volatile and flamboyant, Mr. Ford was a speculator with a penchant for large construction schemes. Formerly the builder and owner of a successful fleet of riverboats, he had twice tried and twice failed in plate-glass manufacturing schemes.

Mr. Pitcairn, on the other hand, was prudent and astute—a no-nonsense organizer with a passion for detail, order and stability.

This unlikely alliance founded and guided Pittsburgh Plate Glass to success. A mechanic at heart, Mr. Ford imported modern machinery and skilled workers for the company's plant at Creighton, Pa., an Allegheny River town 20 miles northeast of Pittsburgh. A manager without peer, Mr. Pitcairn kept a careful eye on production costs and marketing.

Despite stiff price competition from imported glass and total dependence on distribution of its only product through independently owned outlets, PPG prospered.

With the Creighton plant in operation, Mr. Ford—more interested in construction than management—left his sons to look after his PPG interests and, with Mr. Pitcairn's financial support, built a plate-glass plant at nearby Tarentum, Pa. When this plant was in full operation, he supervised construction of two more production facilities—and founded the town of Ford City, Pa. By 1890, PPG was producing plate glass at four Ford-built plants.

Despite its growing share of the American plate-glass market, PPG was plagued by fluctuating manufacturing profits and irregular production scheduling. With his passion for stability, Mr. Pitcairn began to search for ways to remedy the situation.

At this time, nearly all plate glass was marketed through the powerful National Plate Glass Jobbers Association, which fixed the price members would pay manufacturers, and controlled distribution of the product. Alarmed by the degree of control this group had over PPG distribution, Mr. Pitcairn began studying new methods to market plate glass.

It was William L. Clause, PPG's sales manager, who suggested the company open its own warehouse and distribution system. In this way, Mr. Clause reasoned, PPG could assure permanent distribution of its plate glass and a degree of direct access to a secondary glass market. Mr. Pitcairn enthusiastically endorsed his proposal.

Mr. Ford, however, thought the proposal was "unsound and impractical"—and predicted financial ruin for Pittsburgh Plate Glass if it was put into effect.

At an impasse, unable to agree with Mr. Pitcairn on business philosophy, Mr. Ford sold his interests and left the company. His sons, one of whom was president, followed and they formed the Edward Ford Plate Glass Co.—now the Ford in Libbey-Owens-Ford Co.

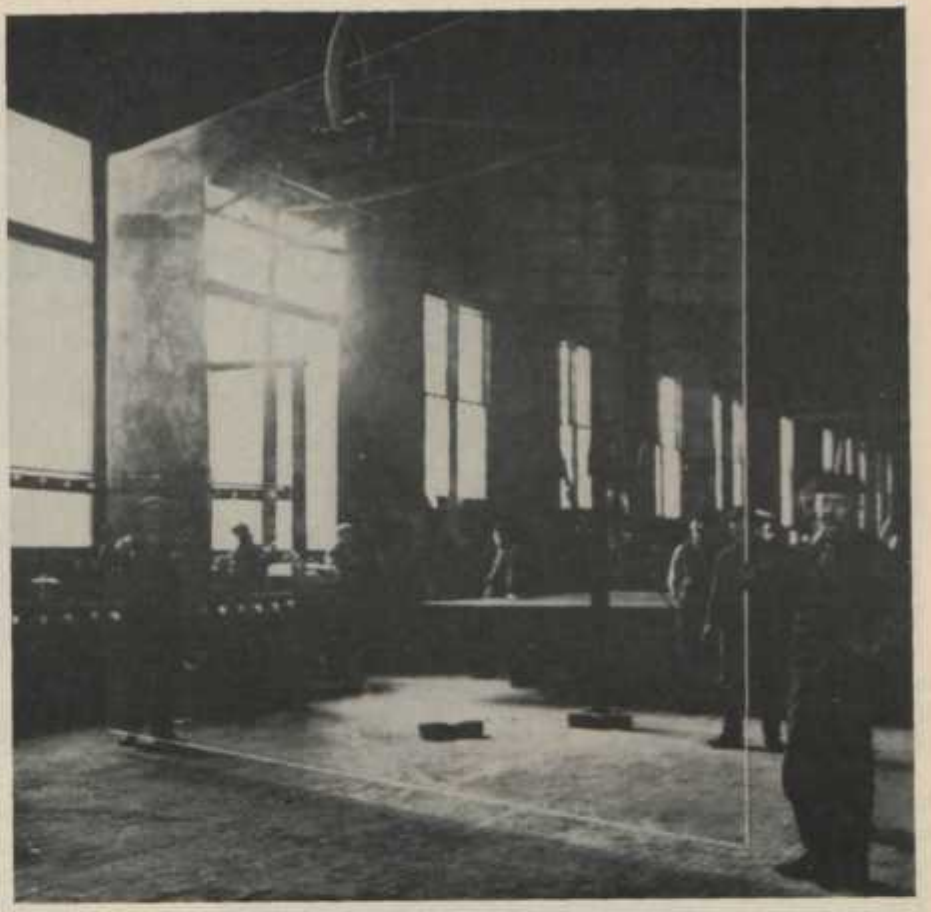
With the Fords gone, Mr. Pitcairn put Mr. Clause's idea into operation, forming a commercial department and opening company-owned distribution centers in New York, Chicago, Boston, Detroit, St. Louis, Cincinnati and Minneapolis in 1896. The following year, outlets in Philadelphia, Cleveland, St. Paul and Brooklyn were opened.

The commercial department was immediately successful. Three years after its inception PPG began paying regular dividends on its stock. It has not missed a payment since 1899.

By the turn of the century, PPG was established firmly as the leading supplier of plate glass to the U.S. market. With an efficient marketing



John Pitcairn, conservative business organizer, helped found Pittsburgh Plate Glass Co., which in 1883 broke the monopoly that Europeans had held on the American plate glass market. He was careful with details, and a master of distribution. It was he who turned PPG into a nationwide industrial giant making and selling many things beside glass.



Making plate glass in 1883 required hand mixing of materials, melting, rolling glass into sheets, annealing, grinding and polishing.

system in operation, PPG next moved to insure the smooth flow of raw materials to its plants.

To supply soda ash, Mr. Pitcairn formed the subsidiary Columbia Chemical Co. Its Barberton, Ohio, plant—the fourth in America's infant alkali industry—went into production late in 1899.

At the same time, Mr. Pitcairn searched for ways to use the distribution system more fully. Since architectural and consumer paints moved through the same distribution channels as glass, PPG began manufacturing paints in 1900. To supply raw materials for this new venture, the company went into the linseed oil business in 1901.

In addition, it began to produce a comprehensive line of paint brushes the same year.

By 1920, four years after Mr. Pitcairn's death, PPG's annual report described the company as a "diversified business" in which sales of paints and chemical products yielded a significant portion of the net return for the year.

During succeeding years, PPG began mass producing sheet glass, and diversified into automotive and then aircraft glass. It later expanded into automotive finishes, industrial coatings, industrial and agricultural chemicals, fiber glass and float glass.

Because this multiplicity of products required new distribution methods, the commercial department—later renamed the merchandising division—was disbanded in 1964. Now, PPG's glass, fiber glass, chemical, and coatings and resins divisions market their products through a variety of specialized sales organizations and profit centers.

With its expanded product mix, Pittsburgh Plate Glass Co. proved to be too limiting a name for a corporation in which sales of all glass products accounted for only one third of its income. In 1968, the corporation's sales topped the $1 billion mark, and the company became PPG Industries, Inc.

Today, PPG ranks among the top 100 industrial corporations in sales in the United States and is busily expanding in the fields it knows best. America's leading flat-glass producer, PPG currently is constructing its fifth and sixth float-glass production lines near Carlisle, Pa.

The corporation, ranked in the top 25 chemical producers, began operation of a $150 million-plus chemical complex in Puerto Rico last year. PPG also is the nation's third largest coatings manufacturer and a major producer of fiber-glass products.

With 44 domestic and 35 foreign production facilities, PPG is proof that "unsound and impractical" ideas sometimes can lead to success rather than financial ruin. END

RALSTON PURINA

The Tall Orders at Checkerboard Square



By R. Hal Dean
Chairman of the Board and Chief Executive Officer Ralston Purina Co.

"Get into a business that fills a need for lots of people, something they need all year around in good times and bad."

This was the sage advice William H. Danforth received from his father as he set out to launch his career in business. The year was 1893. A financial panic gripped the country. It was a troubled time. Yet Mr. Danforth, a recent graduate of Washington University in St. Louis, reasoned it was also a time of opportunity.

America at the turn of the century was basically a horsepower economy. Feed stores dotted every corner in much the same fashion as gas stations do today. Mr. Danforth and two associates decided the horse and mule feed business offered much promise.

Outside of hay, only two kinds of horse and mule feed were known, corn and oats. Oats were costly, and every year thousands of horses died from colic caused by bad corn. These facts convinced young Danforth to manufacture feed, and thus the Robinson-Danforth Commission Co. was formed in 1894 near the St. Louis levee with a capital of $12,000.

"Cheaper than oats and safer than corn" was the slogan for the company's product, which was a new blend of feed grains, mixed with shov ls on the floor of a back room. The feed was packaged into 175-pound sacks which were sewn shut by hand.

Although Mr. Danforth began as a bookkeeper, he quickly demonstrated considerable ability as a salesman. He soon became a familiar sight, traveling by horse or train through neighboring farm areas, both buying ingredients and selling feed.

Several years passed and the young company grew and prospered, and Mr. Danforth eventually purchased control of the company.

However, in 1896, a tragic event occurred which was to have a profound influence on the fledgling business which was to become Ralston Purina Co. That year, May 27 dawned clear and warm. The sun shone till about 4:30 p.m. Then, heavy winds began to blow, accompanied by ominous clouds. At 5 p.m. the worst tornado in St. Louis history struck. The mill was completely destroyed; workmen fled the building and clung to the iron supports of a railroad viaduct to save their lives. A fire that followed burned for three days.

The disaster left Will Danforth as president and majority stockholder of nothing. His company had been obliterated in a matter of minutes.

This cataclysmic event served perhaps as the catalyst which was to propel Mr. Danforth to aspire to even greater heights.

Regrouping his forces, he demonstrated his zest for challenge as he managed to obtain a basically unsecured loan from a local banker. Soon the mill was rebuilt several blocks west of the original site, at Eighth and Gratiot streets, which is the present location of Ralston Purina Co.'s world headquarters.

Characteristic of his genius for sales promotion, Mr. Danforth scored several coups which were to have lasting effect on his business.

In 1898 he began to package a whole wheat cereal that was highly nutritious. He later won for it the endorsement of Dr. Ralston, a prominent health club president, and the product was renamed Ralston Wheat Cereal. As the name's popularity grew and it became widely known, Mr. Danforth changed the name of his firm to Ralston Purina Co. The "Purina" was coined from an early company slogan: "Where Purity is Paramount."

By 1904, word was spreading about the quality of his company's feed, but Mr. Danforth felt that quality needed further identification. As he searched for a distinctive dress for his products, he remembered a family from his boyhood days.

Mrs. Brown always made the family's clothes from the same bolt of distinctive red and white checkerboard cloth, and you could always tell a Brown kid by the checkerboard cloth.

Mr. Danforth figured it would identify his products as boldly as it had the Brown family.

His reasoning was sound and the famous Ralston Purina checkerboard trademark was born. It has been used ever since with almost unique effectiveness. Even the company's world



William H. Danforth, Ralston Purina's founder, got the idea for its famous red and white checkerboard motif from cloth worn by members of a St. Louis family named Brown whom he had known in his boyhood.



It was a grand sight back in the 1920s when teams of matched grays, bays or whites pulled shiny Ralston Purina delivery wagons through big and little towns of America.

headquarters in St. Louis is known today as Checkerboard Square.

During World War I, Mr. Danforth went to France to serve as a YMCA executive for the troops of the Third Army Division. Characteristically, he did not allow his nonmilitary status to prevent him from winning four battle stars. And although his business was out of sight, it was not out of his mind.

He noted the enthusiasm with which American doughboys responded to the word "chow." Shortly after his return to the business, the word feed was quickly replaced with "chow" on all Purina feed products. Purina Chows for animals and poultry are now known the world over.

A deeply individualistic and religious man, Mr. Danforth lived by a code of ethics which eventually was transcribed, characteristically, to fit the four basic segments of the company's checkerboard trademark. In later years he referred to the obstacles he and his company had endured, and dared his employees and associates to assume his "four-square" philosophy for living: Stand tall, think tall, smile tall and live tall.

Indicative of the company's driving quest for challenge, Ralston Purina people operate today from a strong base in agricultural products while diversifying rapidly into the consumer industries. On a world-wide basis, the company's sales and earnings have almost trebled in the last decade, reaching $55.7 million in net income (before an extraordinary charge) in fiscal 1971, or $1.72 per share, on sales of $1.75 billion.

Ralston Purina today would no doubt dwarf even William Danforth's vision and highest expectation. Although the company conducts its business on five continents and employs 32,000 people, its basic emphasis remains on food—or food related businesses.

This thread of continuity winding through the company's history no doubt reflects and bears strong resemblance to the admonition which inspired a young man to start a business near the turn of the century: "Get into a business that fills a need for lots of people . . . in good times and bad." END

SINGER

The Suit That Led to Triumphs in Sewing



By Charles F. Bruder
Member, Board of Directors, and Former Senior Vice President The Singer Co.

The success and world-wide reputation of The Singer Co. can be traced to an unusual alliance, formed late in 1851, between Isaac Merritt Singer and Edward Clark.

Mr. Singer is generally credited with the invention of the sewing machine; Mr. Clark's contribution to history is not as well known.

Mr. Singer had built a sewing machine a year earlier. As a relic in the Smithsonian Institution shows, his version was the first practical sewing machine and the first to resemble present models. It was not, however, the first sewing machine.

Elias Howe Jr. won the recognition of history with a patent on a machine employing an eye-pointed needle with a shuttle. When Mr. Singer and two other sewing machine makers appeared with improved machines in 1850, Mr. Howe sued them.

Mr. Singer turned for help to the New York law firm of Jordan and Clark. For an interest in the company, Edward Clark agreed to fight the legal battles, and he and Mr. Singer became equal partners in I. M. Singer and Co. in 1851. The Singer organization dates its history from that year.

Mr. Clark and Mr. Singer were very different.

Born of poor German immigrant parents, Mr. Singer had little education and left his Oswego, N.Y., home when he was only 12. He was, without success, a farmer, machinist, actor and an inventor of machines for excavating rock and carving wood. He was a truculent man of lusty appetites.

Mr. Clark, who also was from upstate New York, was—by contrast—a successful lawyer. He was a graduate of Williams College and had a remarkable aptitude for business.

His presence and legal advice paid several dividends in the company's crucial early years. He ended the "sewing machine war" by organizing the Sewing Machine Combination, America's first patent pool. Howe, Singer and two other companies were in it, and other manufacturers were also licensed to use the pool patents. Each paid a $15 royalty for every machine it made, and this was divided among the four companies that organized the pool.

Another contribution of Mr. Clark was the introduction of installment selling in 1856. The earliest Singer sewing machines were heavy and designed for manufacturing. But in 1856, the lighter Turtle-Back machine was added for the home. It enabled housewives to sew in one hour what took 10 to 14 hours by hand. But with the average family income only $500 a year, the $125 purchase price was a serious obstacle.

Mr. Clark's "hire-purchase" plan put Turtle-Backs in homes at $5 down and $3 a month, becoming the prototype for all installment selling. He increased volume with trade-in allowances and lower prices, additional "firsts" in American industry.

By 1863, sales of Singer sewing machines had climbed to about 20,000 machines a year, most of them outside the United States. That year Isaac Singer retired and moved to Europe, where he died in 1875.

With establishment of its own cabinet factory at South Bend, Ind., in 1867, Singer became virtually a maker-to-user manufacturer and has remained so ever since.

Starting from pig iron, steel or wire, Singer makes its own machines in 250 varieties. It makes its own needles in 8,400 types and sizes, and its own electric motors. Most important, Singer sells nearly all its machines direct to the user through more than 1,400 Singer Sewing Centers in the United States and several times as many abroad.

Singers are found in all sorts of places. Nearly every ship carries at least one. They are used in prisons, leper colonies and mental institutions, where the satisfaction of creating something is an important factor in rehabilitation.

The Wright brothers stitched the wings of the first airplane on a Singer. Admiral Richard Byrd took six Singers with him to the Antarctic.

Both the gowns and shoes of Queen Elizabeth of England are made on Singers and Westminster Abbey has a



Here's what great-grandmother looked like at her trusty Singer machine back in the 1860s. The Singer Co. is now a multinational, highly diversified industrial and merchandising giant.





Inventor Isaac Singer (wearing the full beard) and lawyer Edward Clark (in the fringe and the eyeglasses) created The Singer Co. in 1851 in New York City.

Singer for repair of the ceremonial robes of the British royal family.

World War I disrupted the company's operations in Europe and all Singer property in Russia was confiscated.

In postwar years the business was gradually rebuilt in Europe and expanded elsewhere in the world.

The Singer Co.'s mettle was proved in World War II. With the ever increasing demand for military hardware to support the war effort, Singer factories throughout the United States converted to production of intricate fire control devices, airplane parts and other military items.

After the war, the company began to plan its growth and diversification. This was no fly-by-night approach, but rather a systematic and deliberate program for the future.

Singer, which is truly an international company—half of its total revenues come from outside the United States—reported more than $2 billion in sales in 1970. Its basic operating areas include consumer products, aerospace and marine systems, education and training, home furnishings, climate control, information systems and housing construction.

Once known solely as a world-wide leader in production and sale of sewing machines, Singer, which has 130,000 employees, now produces an almost endless variety of useful products—and the list is growing.

Today, Singer helps man control his environment, improve his tools, move his mountains of paper. A vast array of Singer machines and appliances enable him to house and clothe himself, furnish and clean his home, cook and preserve his food.

With Singer equipment, he solves complex problems in split seconds and writes at unprecedented speed.

Singer instruments probe the universe of the invisible world around him.

All this will continue. Tomorrow there will be new products, processes and applications. Because the "unusual alliance" of 1851 has become the diversified corporation of today—with new ideas, great diversity of company resources and growing capabilities to meet the needs of people in every corner of the world. END

SOUTHERN RAILWAY

Highballing Along With Innovations



By W. Graham Claytor Jr.
President
Southern Railway System

When 47-year-old Samuel Spencer journeyed to Richmond, Va., on June 18, 1894, to accept election as the first president of Southern Railway Co., he was under no illusions about the magnitude or complexity of the task to which he would devote the remaining 12 years of a brilliant career that was to end in tragedy.

It wasn't only that more than 30 formerly separate corporations had to be brought together and made to work as one under the Southern Railway banner. The affairs and securities of these corporations had been interlocked in every conceivable way, and the situation was one of hopeless confusion.

Worse, all were in receivership, victims of a prolonged nationwide business depression.

Efforts to reorganize the 30-odd properties had been tried before and had failed—not once, but twice. The third try, directed by John Pierpont Morgan, had produced the miracle: A plan acceptable to all interested parties.

As president of the new company, Mr. Spencer's assignment was to transform the plan into a viable operating railroad.

He came to the job with impeccable credentials. As the top authority for Drexel, Morgan & Co., of New York, then the nation's leading bank, Mr. Spencer had been midwife at the new corporation's birth. Before that he had made his mark in railroading itself, rising from a clerical job to the presidency of the Baltimore & Ohio Railroad.

Mr. Spencer wasted no time in demonstrating that he was the right man for the job at Southern. By the end of the first year, he was able to report net income of $896,000 on a gross of $17.1 million.

By the turn of the century, Southern's mileage had more than tripled, to 7,200, and the company was solidly in the black. Three years later, traffic volume on the Washington-Atlanta main line had so increased that the line had to be double-tracked to handle the load.

But three years later, in November, 1906, tragedy struck.

In one of the bitter ironies of history, the railroad to which Mr. Spencer had contributed so much was to become the instrument of his death. While he was asleep in his office car at Lawyer's Station, Va., on the night of Nov. 26, a mixup in signals sent a fast train from Atlanta crashing full speed into the car, killing Mr. Spencer and three guests.

Although his untimely passing deprived Southern prematurely of the first of its many great leaders, he had launched the company on a sound path that others would be able to follow.

The corporate policies he established, continued by his successors, have served well both the company and the people of the South.

One of Mr. Spencer's first official acts in 1894 was to appoint an agent to help encourage the growth of the territory served by Southern. This function has been continued and expanded by succeeding administrations. Assisted by a continuing advertising and promotion program, it is carried on today by Southern's industrial development department.

It was during Mr. Spencer's administration that Southern Railway inaugurated the first of many improvements in technology which were to earn for it in later years a reputation as the railroad which gives "a green light to innovations."

A large-scale installation of the block signal system, which continues today to be the heart of railroad traffic control, was first made on Southern's main line to Atlanta in 1905 and attracted nationwide attention.

A list of Southern Railway "firsts" reads almost like a chronology of landmarks in railway technology.

To mention only a few, Southern was the first railroad to use diesel-electric power in main line freight operations and to become 100 per cent dieselized.

It was the first to develop the machinery which mechanized track work, eliminating manual labor by huge section gangs.

It was also the first to install a wireless centralized traffic control system and to build a modern electronic classification yard in the South.

More recently, Southern has pioneered with such significant developments as unit trains for the low-cost



The wood-burner, "Best Friend of Charleston," was the first locomotive built in America for regular railroad service. On Dec. 25, 1830, she puffed at speeds up to 21 miles an hour from Charleston, S.C., over six miles of completed track belonging to the South Carolina Canal and Rail Road Co., now part of the Southern Railway System. Here, University of Chattanooga drama students re-enact the historic journey in a replica of "Best Friend."

movement of coal, and the use of microwave communications. Southern was also among the earliest pioneers in the use of computers and is today one of a handful of railroads equipped with third-generation computer capability.

Although the long-term trend of Southern's growth has been upward, the climb has not been without hesitations and pitfalls.

William W. Finley, who succeeded Mr. Spencer as president, was only months in office when the nation was plunged into a deep recession that lasted four years.

Bankruptcy was avoided only by the narrowest of margins, when Fairfax Harrison, who was to assume the presidency in 1913, succeeded in a desperate effort to arrange an emergency loan.

Nor was Mr. Harrison's administration, which lasted 24 years, to fare better. Although the nation was enjoying unprecedented prosperity when he took over, his was the task of seeing Southern through the agonizing period of federal control of railroads in World War I, and the great Depression of the 1930s.

When Ernest Norris succeeded Mr. Harrison in 1937, a loan which he arranged personally from the Reconstruction Finance Corp. was necessary to save Southern from receivership.

However, before his administration was four years old, Mr. Norris had the immense personal satisfaction of seeing the loan repaid in full, with interest.

More important, it was under Mr. Norris that Southern was launched on a period of unprecedented prosperity, which expanded during the succeeding administrations of Harry A. DeButts (1952-1962) and D. W. Brosnan (1962-1967), and continues to expand today.

The relatively fortunate financial position which Southern now enjoys (it recently reported record earnings for the first three quarters of 1971 on top of record annual earnings in 1969 and 1970) can be credited in no small part to its continuing emphasis on improvement, and on assisting the growth of the territory it serves, as basic company policies. END

WESTERN UNION

Tying a Nation Together—by Wire



By Russell W. McFall
Chairman of the Board
Western Union Corp.

The year was 1861. The nation was poised for two great events that would forever change its history: War between its states and the opening of its western lands.

In the North, a few men were beginning to realize how important the West—particularly California and its gold—was going to be in the outcome of a civil war.

Close ties were essential, but California lay 2,000 miles and many days by stage or rider away from contact with the government in Washington. The westernmost telegraph terminal at the time was at St. Joseph, Mo. The Pony Express was, at best, a fragile link to connect a nation.

There was real danger that the wealth and support of the western lands would be lost to the Union cause—cut off by time, distance and the dangers of passage.

Among the men who shared the government's concern was Hiram Sibley, president of the Western Union Telegraph Co. This was the company that, by acquiring 11 small competing telegraph companies operating north of the Ohio River, had by 1856 created a unified communications system—the only consolidated system running east and west.

For Mr. Sibley, patriotism and business sense went hand in hand. He knew the Union side needed a telegraph line to the Pacific. And he knew his company was the one that could build it.

Not many men shared his optimism. Engineering experts predicted the project would take 10 years to complete, if, in fact, it could be done. The obstacles seemed almost insurmountable: Between the St. Joseph telegraph terminal and the Pacific lay the treeless miles of the Great Plains, the unmapped Rockies and hostile Indians.

Abraham Lincoln warned Mr. Sibley, "I think it is a wild scheme. It will be next to impossible to get your poles and materials distributed on the plains, and as fast as you complete the line the Indians will cut it down."

But Mr. Sibley persisted. He knew it could be done. In fact, two years previously he had commissioned a remarkable young man named Edward Creighton to show how the project could be carried out.

For two years, Mr. Creighton surveyed a route. Traveling alone, he set out from Omaha and almost immediately suffered a setback that would have stopped a less determined man—the loss of his horse and all his equipment while crossing the icy Platte River. Barely escaping with his life, Mr. Creighton nevertheless pushed on. In Salt Lake City he was befriended by Brigham Young, the Mormon leader, and received promises of help from him.

In midwinter, despite warnings, he left Salt Lake City to attempt the 500-mile journey to Carson City, Nev. Pushing on alone, often on foot through country inhabited only by trappers and Indians, he headed through the Humboldt Valley towards the icy Sierra Nevadas.

Mr. Creighton nearly didn't make it. When he stumbled into Carson City, more dead than alive, he was snow-blind and exhausted. But after a few days' rest he moved on and finally reached Sacramento.

His heroic feat was proof enough for Mr. Sibley. Planning for a telegraph line began immediately. Mr. Creighton was to command a work party heading west to Salt Lake City. From Sacramento, a second force was to head east. As if the undertaking itself were not enough of a gamble, the two teams bet on who would reach Salt Lake City first. The losers would have to pay the winners $50 a day for every day they were late.

Symbolically, the first pole was set on July 4, 1861. Expeditions of hundreds of men driving oxen, mules and herds of cattle for beef to feed the workers moved slowly over mountain trails and the Great Plains. The route was marked by names echoing the wilderness: Mud Springs, Sweetwater, Three Crossings, Rocky Ridge, Fish Springs and Deep Creek.

Tough and determined crews advanced 10 to 12 miles a day, setting up as many as 25 poles every mile. Behind them stretched a telegraph line.

One day it brought news of the Union defeat at the first battle of Bull Run. Their mission now seemed


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Work among the beautiful people in

WEST VIRGINIA

On July 4, 1861, less than three months after the firing on Ft. Sumter launched the Civil War, the first pole was set for Western Union's 2,000-mile line between Omaha and Sacramento. On Oct. 24, our first transcontinental telegraph line was in existence—one of history's great engineering feats. Here is an early view of the line as it snakes through the Sierra Nevada Mountains, near Carson City, Nev.



doubly urgent. Overcoming weather and terrain, winning over Indians, and helped by Mormon contractors who hauled poles across the endless plains, Mr. Creighton's group reached Salt Lake City on Oct. 16, 1861. They were first—but only by a week. On Oct. 24, just three months and 20 days after this supposedly impossible enterprise had begun, two strands of wire were joined at Salt Lake City. A telegraph line now stretched unbroken from the Pacific to the Atlantic.

The building of the first transcontinental telegraph line was one of the earliest and most successful examples of project management in American history. Here was a logistical nightmare turned into a triumph of planning and coordination.

This combination of individual initiative and teamwork is the hallmark of all successful ventures. It is, I like to think, what has kept Western Union at the forefront of communications technology for 120 years.

We don't dwell on the past, but we are also conscious of our place in history. Now, more than a century after the first transcontinental communications line was built, we are planning another cross-country system—this one involving satellites in space rather than poles on the ground. Western Union's communications satellite system will carry Hiram Sibley's venture into the space age.

Even today, we still think our place is on the frontier. END

The $75 Billion Question:

Can money alone buy us a

The first automobiles were made one by one. By hand. Consequently, they cost too much for the average man . . . and the number that could be produced was limited.

The motorized "buggy" came into common use only after the industry searched for—and found—a more efficient way to produce it and cut the cost. It revolutionized our mode of transportation. Expanded our economy. Raised our standard of living.

What would have happened if—instead of the automobile industry becoming more efficient—car buyers had demanded, and the government granted them, a subsidy so they could afford to buy hand-made cars? The price would almost certainly have increased faster than the supply—and the public would have had to share the cost through higher taxes.

This is what may happen today with our nation's health-care system. Our problems are manpower, facilities, and organization. We need more efficiency. But many solutions being proposed focus on subsidizing the consumer.

Americans already spend more on health care than any other country. This is true both in absolute terms—$75 billion a year—and as a percent of Gross National Product. Yet we are slipping behind other nations in many important measures of health. Clearly, dollars alone are not doing the job.

Because the business community is the largest private purchaser of health-care services and has an obvious interest in the well-being of the American people, the Chamber of Commerce of the United States has conducted an extensive study of the nation's health-care system. The study reveals much useful and illuminating data.

One conclusion, above all, has immense importance to every American citizen, both as prospective patient and as taxpayer:

Increased government subsidy of health-care expenses, without substantial improvement in the efficiency of the health-care system, will only accelerate an already alarming rise in medical costs.

Conversely, if efficiency is improved, there may be no need for government subsidies. It's something to think about.

Goals for better health care.

What goals should be set for an improved health-care system? The National Chamber has listed 11. They are consistent with the evidence developed by the Chamber's study of the subject, and consistent with the American traditions of freedom of choice, self-reliance, and efficiency. They have received the overwhelming approval of millions of business and professional men represented in a referendum of the National Chamber's organization members. We summarize the major points here, for your consideration.

We need more and better health care manpower.

Shortages of manpower have contributed to inflation of health care costs and shortages of care. We need:

—More new university health care and education centers.

—More coordination by these centers of community health care education.

—More educational programs for physician and dentist assistants and associates.

—A shortening of the training time used for medical and dental education.

—A large increase in the number of places for entrants to medical and dental schools.

—Positive efforts to enroll more women and minorities in medical and dental schools.

—Government loans for students, forgiven if as graduates they serve a specified time in rural or inner-city areas.

—Greater recognition and more appropriate compensation for specialists in preventive medicine and early disease detection.

—Reform of restrictive, outdated state licensing laws for paraprofessional (doctor's assistant) personnel.

We need better responsibility, accountability, and coordination of health care.

—The nation needs a Council of Health Advisers to the President to provide better statistical and cost information and to study and report on health care accomplishments and policy issues.

—Our communities need area-wide health care planning councils to avoid needless duplication of services and wasteful competition for services solely for "prestige" purposes. Business should support these councils, and consider refusing financial aid to health care facilities not willing to accept their decisions.

—The consequences of medical malpractice, including rising insurance rates, the practice of defensive, inefficient medicine, a rising number of suits and claim awards, and the effect on already scarce medical manpower, must be studied and resolved. Many segments of our society are affected, including physicians, nurses, nursing homes, hospitals, insurance carriers, federal and state governments, and consumers.

We need more responsibility on the part of community hospitals to the determinable health needs of the community.

—Community hospitals should publish detailed financial statements in order to continue receiving tax exemption, including contractual terms of payment for the services of specialty groups.

—Community hospitals should be required, in order to

better health-care system?

receive tax exemption, to abide by decisions of area-wide planning councils. Needless and wasteful competition for services must be avoided.

—Employers should provide training programs for employees who are trustees or on governing boards of hospital or similar institutions, to insure enlightened service.

We need to improve hospital efficiency and control of costs.

—All hospitals should adopt uniform accounting, financial reporting, and cost-finding systems.

—All hospitals should review and monitor the care they give (peer review).

—All hospitals should accept pre-payment of costs instead of post-payment (cost-plus).

—All doctors should accept customary charges as payment-in-full.

—Each hospital should charge the same price for a given service to all patients, regardless of the benefit protection of different patients. Society as a whole, not paying patients, should bear the costs of charity service.

—Employers and insurers should broaden health insurance protection to provide health care in the least expensive manner.

—Employers should require deductibles and co-payment for services received, where feasible.

We need to improve the way we deliver health care to people.

Our present system of delivering health care, aimed at treating the sick, puts the individual doctor at the point where the patient enters the system for care. The doctor screens every patient, and the doctor has become too often a bottleneck. Doctors are scarce, expensive, and hard to train fast compared to other health care personnel. We should experiment widely but carefully to multiply the effectiveness of doctors without sacrificing quality of care.

Pre-paid group practice gives doctors one experimental model besides solo, fee-for-service practice.

Most Americans still appreciate the advantage of a plurality of choice of health care. Some may prefer group practice, fee-for-service, or some modified plan—depending on their personal feelings, economic status or geographic location.

There are other problems with the delivery system. One is the dramatic recent increase in the use of hospitals for care.

Another problem is that more and more doctors are specialists, not general practitioners. Between 1963 and 1970, the number of specialists increased by 27 percent while those engaged in general practice dropped by 21 percent.

A third problem is that we do not effectively deliver health care to the poor, either urban or rural. Urban poor often live in the midst of superb facilities but are sometimes reluctant, afraid or ignorant of how to use them. Meanwhile, private doctors have left urban poor neighborhoods in droves. The rural poor simply lack geographical access to health care.

Urban poor need genuine access to health care in facilities oriented to the understanding of urban problems in ghetto neighborhoods.

The rural poor deserve more imaginative methods for delivering health care, just as the rural nonpoor. Mobile clinics, helicopter emergency service, computer-monitored arrangements are possibilities. The problem seems to be primarily one of purpose, leadership, and organization and only secondarily one of technology, or even cost.

Our goal should be access to quality care for all Americans with free choice for doctors and patients and at reasonable total cost.

If you would like to learn more of the problem, including more of the reasoning behind the Chamber's policy declarations, we offer the publications listed below (quantity prices on request).

Chamber of Commerce of the United States
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____ copies, "Special Report: Health Care," Congressional Action Bulletin, Oct. 7, 1971 (#2568—Single copies available without charge, quantity prices on request)



This Month's Guest Economist

Irving Lipkowitz
Director of Economic Affairs
Reynolds Metals Co.

Trade Policy: Toward Realism

President Nixon's economic emergency measures of recent months have dramatically underscored the fact that the battles against inflation, unemployment and erosion of the dollar abroad are all part of the same struggle to achieve and maintain our economic health, and that trade policy is an integral element of all three phases of this struggle.

The indivisibility of domestic and foreign economic policies was further emphasized last September in the Williams Commission report, "United States International Economic Policy in an Interdependent World."

Within the foreign sphere, the United States is bringing "the economic factor up with the political and national security factors in our international relations," says Treasury Undersecretary Charls E. Walker.

This upgrading of foreign economic policy makes for better synchronization of the many facets of foreign policy previously pursued individually by various Executive departments—too often without adequate regard for one another's needs and goals. Thus, although an import surcharge is essentially a trade measure, it was invoked temporarily by the President to advance monetary policy objectives.

Both the President's emergency actions and the Williams Commission report recognize the seriously weakened condition of U.S. international trade, and the need for a more modern and flexible international monetary system as a prerequisite to healthy world commerce.

Particularly important to the trade policy debate is the comprehensiveness of the Williams Commission report, and its avoidance of a doctrinaire "free trade" or "protectionist" approach.

The Commission suggests that "our objective should be the progressive elimination of most tariffs over the next 10 years, and of all tariffs over the next 25 years."

However, it also recognizes that "methods of temporary protection—import restrictions (tariffs or quotas) under the escape clause, or orderly marketing agreements—can provide time for industries to achieve a viable competitive position. . . ."

Progress toward an effective and realistic trade policy depends, of course, on how accurately we appraise our needs and also on how well we answer the question: What kind of trade policy can we afford?

Clearly, we cannot afford to go back to the pre-Kennedy Round policy which had such a large measure of economic aid to other nations in it. Besides, most beneficiaries of that post-World War II policy no longer need such aid.

Neither can we afford another Kennedy Round, nor a trade policy which ignores the pressure of economic sluggishness at home or the interrelationship of trade policy and other facets of foreign policy.

Among developments which complicate trade policy is the changing significance of cost variations among suppliers.

Variations from country to country often are more indicative of sharply different domestic economic policies (wage standards, taxes, industrial development incentives, currency exchange rates, etc.) than of differences in the efficiency of business competitors in world markets. This is especially true in industries where technology is widely diffused among nations.

No nation gives top priority to the achievement of free trade. It is outranked by domestic economic goals. Consequently, free trade ground rules aren't likely to determine, in the foreseeable future, where the chips will fall in international trade for the U.S. or any other country.

The comparatively low priority of true free trade among nations doesn't mean the abandonment of efforts to expand international commerce, or foreshadow a retreat to traditional protectionism. That, too, the U.S. can ill afford. Neither the U.S. nor any other nation can thrive under a policy of economic isolation in today's interdependent world.

The problem is clearly too complex to be solved by relying on the old, across-the-board formulae.

During the years immediately ahead, U.S. trade policy should concentrate more than it has in the past on the problem of stabilizing and improving our major industries' international trade patterns.

This would involve a shift of emphasis from the Kennedy Round type of negotiation to individual industry or sector negotiations. Painstaking attention would have to be given to specific opportunities for expanding trade in a particular industry, as well as to serious imbalances in home economies.

Such an individual industry approach would also enable government negotiators to make much more effective use of industry expertise (both labor and management groups) than has been feasible during past tariff negotiations.

More viable and sophisticated trade patterns are likely to result, reflecting the potential of multinational companies, and the special characteristics and needs of the negotiating countries and of the industries involved.

The Williams Commission recommendations and the individualized efforts suggested here for selected key industries should result in a workable trade policy.

Such a policy would reflect the truism that healthy world trade can be maintained and expanded only by healthy home economies and industries, and only to the extent that the world's monetary system and trade procedures are attuned to changing conditions.

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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

The family farm is not going the way of the dodo bird, though experts are predicting that the trend toward large-scale agribusiness operations will continue.

Don Paarlberg, director of agricultural economics for the Department of Agriculture, says he doesn't think the trend will encompass all areas of food production, because a number of factors must be present if large-scale operations are to prosper.

Necessary, he says, are: Availability of unexploited scientific knowledge; a potential for greater return per dollar of input; exploitable marketing opportunities; a type of production that relies heavily on repetition, such as single-crop farming; and favorable social and political climates.

Good possibilities for large-scale operations in the near future, he says, are hog production and cattle feeding.

FINANCE

A lot of banks aren't going to have U.S. Postal Service deposits languishing in their vaults for more than a couple days from now on.

The Service wants its funds to give a better account of themselves. So it is speeding up its money transfer system.

Postmasters will continue to make daily deposits in some 9,600 local banks. But the banks, instead of mailing in checks, will telephone deposit information daily to the National Data Corp. in Atlanta, Ga. This firm then will transmit the information to 21 "concentration banks," which will draw checks against the local banks to be credited to the Postal Service account in the Treasury Department.

A two-day balance will be allowed to remain in the local banks, to make handling the money worthwhile for them. Then, in a matter of hours, the money will go to the Treasury to buy government securities.

Postal officials estimate that now, on any given day, between $300 million and $500 million is stalled in the money transfer system, with some of it taking a week or longer to meander home.

The more rapid investment in interest-bearing securities should produce several million dollars in revenue annually.

FOREIGN TRADE

Sales potential for electronic data processing equipment in Western Europe has export experts giddy with anticipation, and huge market possibilities in Eastern Europe have them even giddier.

The Commerce Department's Bureau of International Commerce estimates that less than 1,000 computers are now installed in the U.S.S.R. and its satellites. With the Soviets trying to catch up to the U.S. economically in the next five years, computers and their associated gear are obviously a must.

The Bureau tells U.S. manufacturers there probably will be some 70,000 computers installed and operating by 1976 in Western Europe, where there are now 42,000. The U.S. could have 84 per cent of the market by then if the industry aggressively goes after the business, the Bureau says.

MANUFACTURING

Predicting world-wide shipments of communications equipment will double in the next seven years, experts say substantial opportunities will open for firms that can supply this type of material—especially telecommunications equipment.

Arthur D. Little, Inc., the Cambridge, Mass., research and consultant firm, concludes that while the prime market now is North America, Western Europe and Japan may take over the spotlight in a few years. Excluding satellite and cable television equipment, world-wide sales of telecommunications items in 1971 was some $11 billion, with 44 per cent of the shipments going to U.S. markets. The Little report estimates global sales at $20 billion in 1975 and around $40 billion in 1980, with the U.S. market dropping to 37 per cent of the total in 1975 and 33 per cent in 1980.

CONSTRUCTION

With costs continuing to climb, highway builders and other contractors are likely to give more thought to going back to Mother Earth for help.

One route: a patented process called Reinforced Earth. It has been used in France, where it was developed, and in Canada. Its U.S. licensee, the Reinforced Earth Co., claims it offers a 20 to 30 per cent saving in retaining wall construction.

The technique involves use of thin metal strips laid horizontally in layers throughout an earth embankment. The strips reinforce the soil, which then holds itself in place solely through internal friction.

Retaining walls as high as 70 feet, and as much as 3,000 feet in length, have been built in this way. The Federal Highway Administration is planning to test the technique at various locations in the U.S.

Public clamor for quieter highways, particularly in urban areas, makes it probable that in the future more such arteries will be sunken to muffle noise. This could dramatically increase the demand for earth retaining wall construction.

MARKETING

A possible Federal Trade Commission move could cause some marketing headaches.

Still in the talking stage, it would require diversified corporations to provide more detailed accounting information on subsidiaries and divisions.

A long-standing complaint by antitrusters, joined now by consumer advocates, is that the joint Federal Trade Commission and Securities and Exchange Commission Quarterly Financial Report doesn't give enough detailed information, such as which corporation divisions are profitable and whether certain products are being subsidized in possible moves to gain industry dominance.

The SEC now requires consolidated information from corporations with public issues, to protect the stockholder or potential investor. Consumer advocates push for breakdowns of the data, on the premise that this would improve protection against price-fixing and other antitrust violations.

Businessmen say requiring corporations to divulge more detailed information on their subsidiaries and divisions would cause artificial accounting procedures, force arbitrary assignment of costs, and confuse more than inform.

It's not clear whether the FTC has the authority under the Federal Reporting Act to make such a change.

SERVICES

Automotive self-insurance programs are likely to grow more attractive to firms that operate large fleets of autos and trucks unless the rise in premium costs slows.

Such programs have already been adopted by a number of auto leasing and rental firms. Now other big fleet operators are showing interest and some insurance companies are offering to administer programs.

Westinghouse Electric Corp., which operates 15,000 vehicles, has had its full fleet under a self-insurance program for nearly a year. James W. Crowley, president of Econo-Car International, Inc., a wholly-owned Westinghouse subsidiary, estimates that self-insurance for the 15,000 vehicles, which includes 7,500 leased to other Westinghouse organizations, will bring savings of $1 million annually.

Edward T. McGettigan, vice president of the Transit Management Corp., of New York, which administers the program for Westinghouse, says the attractiveness of self-insurance to a firm depends on the size of its vehicle fleet and the area in which the fleet operates.

In high accident areas, he says, the minimum size would probably be 300 to 500 vehicles, but the figure would be higher in low accident areas.

TRANSPORTATION

Things are looking up for the airline industry, though it wants more financial buoyancy in case of another downdraft in the economy.

In the near future, experts predict, the major carriers will start recalling most of some 2,500 furloughed pilots.

They're needed for a predicted 8.5 per cent increase in domestic passenger miles and 12.5 per cent increase in international operations this year.

The industry, which lost $154 million in 1970, and just about broke even in 1971, sees a profitable 1972. But it worries about consequences if there should be another business slump and says it needs a cushion.

To get that cushion will require a 12 per cent return on capital investment for several years running, says Stuart Tipton, president of the Air Transport Association of America.

The Civil Aeronautics Board, which had set 10.5 per cent as a "fair return" since 1961, has now jacked that up to 12 per cent. However, Mr. Tipton says the industry has been averaging only about 2 per cent annually in recent years.

Editorial

Double Jeopardy

Everyone concedes we have an economic dilemma—with both inflation and unemployment.

It's a dilemma because almost anything we do to help solve one problem seems to make the other worse.

Ironically, there's a push on now behind a proposal that would make *both* of them worse. It's a proposal to raise the legal minimum wage.

The inflationary effect is self-evident. It should also be almost as evident that low-skilled workers would be priced out of jobs.

Surely Congress doesn't want to make both our big problems worse.

McDonald's believes in eating out—but keeping its insurance at Home.

McDonald's doesn't take a back seat to anyone when it comes to delicious hamburgers and french fries. But when it comes to protection, McDonald's sticks close to Home. That's why virtually every single U.S. location in the McDonald's chain—over 1600 in all—has its individual Business Owner's Policy—tailored to its individual needs by Home Insurance agent Keeler & Associates of Chicago.

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